

## NEW ISSUE

Fitch Ratings, Inc.: AAA  
Moody's Investors Service, Inc.: Aaa  
Standard & Poor's: AAA  
(See "RATINGS")

*In the opinion of Bond Counsel, under existing law, assuming continued compliance with certain provisions of the Internal Revenue Code of 1986, as amended, interest on the Pool 11 Bonds will not be included in the gross income of holders of the Pool 11 Bonds for federal income tax purposes. Interest on the Pool 11 Bonds will not constitute a preference item for the purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, although interest on the Pool 11 Bonds will be taken into account in computing the alternative minimum tax applicable to certain corporations. In the opinion of Bond Counsel, interest on the Pool 11 Bonds, and any profit made on the sale thereof, are exempt from Massachusetts personal income taxes and the Pool 11 Bonds are exempt from Massachusetts personal property taxes. For federal and Massachusetts tax purposes, interest includes original issue discount. See "TAX EXEMPTION."*



**\$293,760,000**

## **MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**

### **Pool Program Bonds, Series 11**

**Dated: Date of Delivery**

**Due: August 1, as shown on the  
inside cover hereof**

The Pool 11 Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Pool 11 Bonds. Individual purchases will be made in book-entry only form, in the principal amount of \$5,000 and integral multiples thereof. See "DESCRIPTION OF THE POOL 11 BONDS - Book-Entry Only System." Interest on the Pool 11 Bonds will be payable on February 1 and August 1 of each year, commencing on August 1, 2006. The Pool 11 Bonds will be subject to optional and mandatory redemption prior to maturity as described herein.

The Pool 11 Bonds are being issued to finance or refinance costs of certain water pollution abatement and drinking water projects for borrowers. The Pool 11 Bonds are payable solely from the funds pledged therefore pursuant to the Trust's Program Resolution and Bond Resolution, including but not limited to (i) payments to be made by borrowers, (ii) contract assistance payments made to the Trust on behalf of each borrower by the Commonwealth of Massachusetts, and (iii) investment earnings on certain reserve funds funded from federal and state grants. For additional information about the security for the Pool 11 Bonds, see "SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS" and "THE POOL 11 BONDS" herein.

**The Pool 11 Bonds are special obligations of the Trust and shall not constitute a pledge of the full faith and credit of the Trust. The Trust has no taxing power. Neither the Commonwealth of Massachusetts nor any political subdivision thereof shall be obligated to pay the Pool 11 Bonds, and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to the payments on the Pool 11 Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS."**

*The Pool 11 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of the legality of the Pool 11 Bonds by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel to the Trust, and subject to certain other conditions. Certain legal matters will be passed upon for the Trust by Palmer & Dodge LLP, Boston, Massachusetts, Program Counsel to the Trust. Certain legal matters will be passed upon for the Underwriters by Holland & Knight, LLP, Boston, Massachusetts. It is expected that the Pool 11 Bonds will be available for delivery to DTC in New York, New York, or its custodial agent, on or about November 16, 2005.*

## **Merrill Lynch & Co.**

**Bear Stearns & Co. Inc.  
JP Morgan**

**Citigroup  
UBS Financial Services Inc.**

**Advest, Inc.  
Corby Capital Markets, Inc.  
Goldman, Sachs & Co.  
National Financial Markets Group  
Raymond James & Associates, Inc.  
Siebert Brandford Shank & Co. LLC**

**Banc of America Securities LLC  
A.G. Edwards  
Jackson Securities Inc.  
Oppenheimer & Co., Inc.  
RBC Dain Rauscher Inc.  
Southwest Securities, Inc.  
Wachovia Bank, National Association**

**Cabrera Capital Markets Inc.  
First Albany Capital Inc.  
Lehman Brothers  
Ramirez & Co., Inc.  
Roosevelt & Cross, Inc.  
Sovereign Securities Corporation LLC**

October 19, 2005

**\$293,760,000**  
**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**  
**Pool Program Bonds, Series 11**

**\$262,305,000 Serial Bonds**

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number**</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number**</u>
2006	\$7,220,000	4.000%	NRO	57604PXL3	2016	\$4,995,000	4.000%	4.01%	57604PYB4
2007	12,360,000	3.000	2.96%	57604PXM1	2016	7,735,000	5.000	4.01*	57604PYC2
2008	11,030,000	3.250	3.09	57604PXN9	2017	1,125,000	4.000	4.06	57604PYD0
2009	11,155,000	3.250	3.25	57604PXP4	2017	12,025,000	5.000	4.06*	57604PYE8
2010	7,640,000	3.375	3.39	57604PXQ2	2018	1,175,000	4.000	4.12	57604PYF5
2010	3,710,000	4.000	3.39	57604PXR0	2018	12,425,000	5.250	4.12	57604PYG3
2011	11,455,000	3.500	3.55	57604PXS8	2019	2,160,000	4.000	4.15	57604PYH1
2012	10,130,000	3.625	3.69	57604PXT6	2019	11,915,000	5.250	4.15	57604PYJ7
2012	1,550,000	4.250	3.69	57604PXU3	2020	14,560,000	5.000	4.18*	57604PYK4
2013	3,440,000	3.750	3.78	57604PXXV1	2021	14,620,000	5.000	4.24*	57604PYL2
2013	8,535,000	5.000	3.78	57604PXXW9	2022	15,130,000	5.250	4.24	57604PYM0
2014	2,500,000	3.750	3.87	57604PXX7	2023	15,555,000	4.750	4.42*	57604PYN8
2014	9,840,000	5.000	3.87	57604PXY5	2024	16,035,000	4.750	4.45*	57604PYP3
2015	2,725,000	3.875	3.94	57604PXZ2	2025	16,530,000	4.750	4.49*	57604PYQ1
2015	9,995,000	5.000	3.94	57604PYA6	2026	3,035,000	4.250	4.52	57604PYR9

**\$9,625,000 4.500% Term Bonds Due August 1, 2029 to yield 4.67% CUSIP Number\*\* : 57604PYS7**

**\$21,830,000 4.500% Term Bonds Due August 1, 2035 to yield 4.72% CUSIP Number\*\* : 57604PYT5**

\* Priced at the stated yield to the August 1, 2015 optional redemption date at a redemption price of 100%. See "THE POOL 11 BONDS - Terms of Payment and Redemption."

\*\* Copyright 2005, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Pool 11 Bonds and the Trust does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Pool 11 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Pool 11 Bonds.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Pool 11 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the Pool 11 Bonds, and if given or made, such information or representation must not be relied upon. The information set forth herein has been obtained from the Trust and other sources that are deemed to be reliable but is not guaranteed as to accuracy or completeness by the Underwriters. Neither the delivery of this Official Statement nor the sale of any of the Pool 11 Bonds implies that there has been no change in the affairs of the Trust or the other matters described herein since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE POOL 11 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## BOARD OF TRUSTEES

Timothy P. Cahill, Chairman .....	Treasurer and Receiver-General of the Commonwealth of Massachusetts
Timothy A. Brooks.....	Designee of the Treasurer and Receiver-General
Thomas H. Trimarco .....	Secretary of the Executive Office for Administration and Finance of the Commonwealth of Massachusetts
Carlo A. DeSantis.....	Designee of the Secretary of the Executive Office for Administration and Finance
Robert W. Golledge, Jr. ....	Commissioner of the Department of Environmental Protection of the Commonwealth of Massachusetts
Steven J. McCurdy .....	Designee of the Commissioner of the Department of Environmental Protection

## SENIOR MANAGEMENT

Scott A. Jordan .....	Executive Director
Nancy E. Parrillo .....	Chief Financial Officer
Carlo A. DeSantis.....	Director of Finance and Administration
Steven J. McCurdy .....	Director of Program Development

## ADVISORS

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.....	Bond Counsel
Palmer & Dodge LLP.....	Program Counsel
Lamont Financial Services Corporation .....	Financial Advisor
KPMG LLP .....	Auditors
U.S. Bank National Association.....	Program Trustee
Wells Fargo Bank, N.A. ....	Bond Trustee

## OFFICIAL STATEMENT

Relating to

**\$293,760,000**

**Massachusetts Water Pollution Abatement Trust  
Pool Program Bonds, Series 11**

## INTRODUCTORY STATEMENT

This Official Statement (which includes the cover page and the Appendices hereto) is furnished by the Massachusetts Water Pollution Abatement Trust (the “Trust”) to provide information concerning the Trust’s Pool Program Bonds, Series 11 (the “Pool 11 Bonds”), together with information about the Trust’s State Revolving Fund (“SRF”) programs. Capitalized terms not otherwise defined in this Official Statement shall have the meanings set forth in Appendix A hereto.

The Trust is a public instrumentality of the Commonwealth of Massachusetts (the “Commonwealth”), created in 1989 by Chapter 275 of the Acts of 1989, constituting in part, Chapter 29C of the General Laws of the Commonwealth (collectively with Chapter 203 of the Acts of 1992, and including all amendments to the foregoing, the “Act”). The Trust is issuing the Pool 11 Bonds to provide financial assistance to local governments and other eligible public borrowers in the Commonwealth under its SRF programs described in more detail below.

### State Revolving Funds

**Purpose of SRFs.** The Trust administers the Commonwealth’s SRF programs, which were authorized by federal legislation -- the Water Quality Act of 1987 for the clean water SRF and the Safe Drinking Water Act of 1996 for the drinking water SRF -- to provide financial assistance to local governments, public authorities and certain private entities, each of which is referred to as a “borrower,” for water pollution abatement projects and drinking water projects. The Trust’s SRF programs were established to accept federal grants and required Commonwealth matching funds in an amount equal to approximately 20% of the federal grants. The Trust applies such grants and state matching funds and other moneys available to the Trust (“SRF program funds”) to reduce financing costs for its borrowers by establishing reserve funds to secure the Trust’s bonds issued to fund such projects, and by applying investment earnings on such reserve funds to pay a portion of the debt service on the related bonds, and thereby reduce the borrowers’ loan repayment obligations.

**Trust SRF Bonds.** The Trust issues revenue bonds (“SRF Bonds”) and uses the proceeds to make loans to borrowers to fund water pollution abatement and drinking water projects or to refund bonds previously issued by the Trust. The SRF Bonds are secured by reserve funds funded by SRF program funds, and are payable from borrower loan repayments, reserve fund earnings and contract assistance payments made by the Commonwealth on behalf of the borrowers, together with earnings thereon.

**Sizing of Reserves.** The Trust allocates SRF program funds to establish reserve funds in an amount equal to a given percentage of the related SRF Bonds or loans outstanding from time to time. Depending on the type of projects being financed, the terms of the loans to the borrowers and the subsidy levels to which the borrowers are entitled, the Trust initially sizes the reserve funds for its SRF Bonds in an amount equal to between 33% and 50% of the original principal amount of the related loans.

**Clean Water and Drinking Water SRFs.** The Trust initially allocates clean water SRF program funds and drinking water SRF program funds separately to reserve funds for its SRF Bonds issued for each purpose, and maintains separate accounts for those SRF program funds. The Trust may, however, use SRF program funds for one purpose to cure or prevent a default on SRF Bonds issued to fund the other purpose, subject to replenishment.

**Borrower Loans.** Each loan to a borrower made with the proceeds of the Trust’s SRF Bonds is in the form of either a loan or the purchase of the borrower’s bonds, in either case, pursuant to a financing agreement between the Trust and the borrower. Either form of assistance is referred to as a “loan.” Pursuant to the financing agreements, each

borrower delivers its own general or special obligation bond to the Trust referred to as a “local bond,” in order to secure its loan repayment obligations. The Trust makes loans under its clean water SRF program with terms up to thirty (30) years from project completion, but in no event longer than the expected useful life of the project financed or refinanced by such loan, and makes loans under its drinking water SRF program with terms up to twenty (20) years from project completion.

**Commonwealth Contract Assistance.** Pursuant to the Act, the Commonwealth makes payments to the Trust on behalf of the borrowers to be used to pay a portion of the debt service on the related series of the Trust’s SRF Bonds, and thereby reduce the borrowers’ loan repayment obligations. The obligation of the Commonwealth to make such payments to the Trust is a general obligation of the Commonwealth, for which its full faith and credit are pledged.

**Revolving Nature of SRF Programs.** The SRF programs are called the state *revolving* fund programs because as borrowers pay down their principal balances or as the Trust pays principal on its SRF Bonds, proportional amounts are released from the reserves pledged to secure the related SRF Bonds and returned to the Trust. The Trust then re-uses that money to establish new reserve funds for new SRF Bonds or for other eligible purposes.

### **The Trust’s SRF Bond Financing Programs**

The Trust issues SRF Bonds pursuant to its resolution entitled “Amended and Restated Resolution Authorizing and Establishing a Water Pollution Abatement and Drinking Water Project Financing Program” adopted by the Trust on March 4, 1993, as amended and supplemented (the “Program Resolution”), for several separate SRF programs, including -

- ***Pool SRF Bonds*** issued to provide financial assistance to borrowers, as more fully described below under the heading “The Pool SRF Bonds.” Upon the issuance of the Pool 11 Bonds, the Trust will have Pool SRF Bonds outstanding under the clean water SRF and the drinking water SRF in the approximate principal amounts of \$1.68 billion and \$464.9 million, respectively.
- ***MWRA SRF Bonds*** issued to provide financial assistance to the Massachusetts Water Resources Authority (“MWRA”). The Trust currently has MWRA SRF Bonds outstanding under the clean water SRF and the drinking water SRF in the approximate principal amounts of \$390.5 million and \$18.7 million, respectively.
- ***SESD SRF Bonds*** issued to provide financial assistance to the South Essex Sewerage District (“SESD”). The Trust currently has SESD SRF Bonds outstanding under the clean water SRF in the approximate principal amount of \$14.7 million.
- ***New Bedford SRF Bonds*** issued to provide financial assistance to the City of New Bedford. The Trust currently has New Bedford SRF Bonds outstanding under the clean water SRF in the approximate principal amount of \$122.7 million.

The Trust issues its SRF Bonds for each of these programs under separate bond resolutions, and issues each series of its Pool SRF Bonds under separate bond resolutions. The MWRA, SESD and the City of New Bedford are also borrowers under the Trust’s Pool program. The Pool 11 Bonds are Pool SRF Bonds, and will be issued under the Trust’s Water Pollution Abatement and Drinking Water Project Bond Resolution, Pool Program, Series 11, adopted by the Trust on October 19, 2005 (the “Bond Resolution”).

The Trust also uses its SRF program funds to provide interim loans to borrowers on a temporary basis in anticipation of the issuance of SRF Bonds. The Trust currently has \$96.4 million of interim loans outstanding, \$75.0 million of which are expected to be refinanced with a portion of the Pool 11 Bond proceeds.

## SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS

### Special Obligations

The SRF Bonds are special obligations of the Trust and do not constitute a pledge of its full faith and credit. The SRF Bonds are payable solely from the funds pledged therefor pursuant to the Program Resolution and the applicable bond resolution. The Trust has no taxing power. Neither the Commonwealth nor any political subdivision thereof is obligated to pay the SRF Bonds, and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision is pledged to the payment of the SRF Bonds. See “*Commonwealth Contract Assistance*” below.

### Sources of Payment

The debt service on the Trust’s SRF Bonds issued to fund water pollution abatement and drinking water projects is expected to be paid from a combination of three sources: (i) borrower loan repayments; (ii) earnings on reserve funds established for each series of SRF Bonds; and (iii) payments provided by the Commonwealth pursuant to the Act and the Commonwealth Assistance Contract described below and interest earnings thereon. Prior to the issuance of a series of SRF Bonds, the Trust must certify that the borrower loan repayments, reserve fund earnings, Commonwealth contract assistance payments and other moneys expected to be available to pay the debt service on such SRF Bonds are in the aggregate at least sufficient to pay, when due, such debt service.

- ***Loan Repayments.*** Each borrower is obligated to repay the principal amount of its loan at a subsidized interest rate of 2% or less, depending on the subsidy level to which each borrower is entitled. Certain borrowers with loan terms greater than 20 years may have a subsidized interest rate in excess of 2% in order to provide sufficient cash flow to pay the net additional interest expense on the related SRF Bonds that results from extending the term of the financing beyond 20 years. Except as described in the following paragraph, borrowers are not obligated to make up any deficiencies caused by shortfalls in reserve fund earnings or Commonwealth Assistance Contract payments. Along with certain other Commonwealth agencies, the Trust has the right to intercept local aid payments made by the Commonwealth to a city or town if such city or town fails to make its payments under its financing agreement as described more fully herein. See “SECURITY FOR THE BORROWER OBLIGATIONS” for a description of the security and sources of payment for the local bonds issued by the borrowers.

Each series of SRF Bonds previously issued by the Trust to fund water pollution abatement and drinking water projects was required to have gross borrower loan repayment obligations that in the aggregate were sufficient to pay the debt service on the related series of SRF Bonds. However, each prior borrower receives significant subsidies from investment earnings on the related reserve fund and payments provided by the Commonwealth that are credited against its gross loan repayment obligations and applied to pay debt service on the related SRF Bonds. The levels of subsidies provided to such prior borrowers is similar to the levels of reserve fund earnings and Commonwealth Contract Assistance payments applied to pay debt service on the Pool 11 Bonds.

- ***SRF Reserve Investment Earnings.*** The Trust uses SRF program funds to establish reserve funds for each series of SRF Bonds in an amount initially equal to between 33% and 50% of the original principal amount of the related loans, depending on the types of projects being financed, the terms of the loans to the borrowers and the subsidy levels to which the borrowers are entitled. Earnings on the reserve funds are applied to pay debt service on the related series of SRF Bonds. On each date that the Trust pays down the principal amount of a series of SRF Bonds or borrowers pay down the principal amount of the related loans, the amount held in the related reserve fund is reduced proportionately. See “SRF Reserves” below.

***Investment Agreements.*** To assure the receipt of investment earnings in amounts and at times sufficient to provide adequate reserve fund earnings to pay debt service on the related SRF Bonds, the Trust enters into investment agreements at or prior to the delivery of the related SRF Bonds with one or more providers. Such investment agreements are *either* collateralized by: (i) United States Treasury securities; (ii) certificates of participation issued by the Government National Mortgage Association, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation; or (iii) any corporate or

municipal securities rated “AAA” by Standard & Poor’s Ratings Group (“Standard & Poor’s”) and “Aaa” by Moody’s Investors Services, Inc. (“Moody’s”), all at a market value of at least 105% of the amount invested *or* are with providers (or a guarantor of such providers’ obligations) rated at least “AAA” by Standard & Poor’s and “Aaa” by Moody’s, provided that if the provider (or guarantor) fails to maintain such ratings, the investment agreement will be collateralized as described above, or if not, may be terminated at the direction of the Trust. The collateral securities, if any, are held by the Bond Trustee or a third-party collateral agent for the account of the Bond Trustee and may be liquidated by the Bond Trustee upon any payment default by a provider under the related investment agreement. Upon any payment default by a provider, such provider is obligated to reimburse the Trust (either directly or through the sale of collateral) for any unpaid principal and accrued interest on the investment agreement and for any loss realized by the Trust upon reinvestment. The investment agreements are general obligations of the related providers. The providers, however, do not guarantee payment of any portion of the principal of or interest on the related SRF Bonds. Investment agreements entered into in connection with the issuance of SRF Bonds in the future may have different ratings or collateralization requirements. See Appendix G - “Table of Providers.”

- ***Commonwealth Contract Assistance.*** Pursuant to the Act and the Amended and Restated Agreement for Contract Assistance dated as of October 3, 2005 (the “Commonwealth Assistance Contract”) between the Trust and the State Treasurer, the Commonwealth makes payments on behalf of each borrower to the Trust. Such payments together with investment earnings thereon are applied to pay a portion of the debt service on the related series of SRF Bonds. The obligation of the Commonwealth under the Commonwealth Assistance Contract to provide contract assistance payments to the Trust constitutes a general obligation of the Commonwealth, for which its full faith and credit are pledged. The Commonwealth Assistance Contract is pledged under the Program Resolution to the Program Trustee for the benefit of all holders of the Trust’s SRF Bonds. While the Commonwealth Assistance Contract is not pledged under the Bond Resolution or any other bond resolution of the Trust, the contract assistance payments are pledged, upon receipt, under the applicable Bond Resolution and all other bond resolutions. In addition, the Trust has covenanted in the Bond Resolution and all other bond resolutions to enforce the terms of the Commonwealth Assistance Contract as they pertain to the applicable series of SRF Bonds.

The Act limits the aggregate annual amount of Commonwealth contract assistance payments that may be provided to loans funded by the Trust. At the date of this Official Statement, the maximum amount of contract assistance payments that will be payable in any fiscal year with respect to all loans currently outstanding or for which the Trust has issued firm commitments (including the loans to be funded from Pool 11 Bond proceeds) does not exceed the applicable limits provided in the Act.

Payments under the Commonwealth Assistance Contract are made during the first twenty years of the term of the applicable series of SRF Bonds. For certain SRF Bonds with a term greater than twenty years, portions of the Commonwealth’s contract assistance payments received in the first twenty years are deposited in a subsidy fund held under the related bond resolution and invested pursuant to investment agreements with provisions similar to those described above for the investment of reserve funds. The amounts deposited in the subsidy funds and the related investment earnings are used to pay debt service on the related SRF Bonds after the first twenty years.

## **SRF Reserves**

Each series of SRF Bonds is secured by a reserve fund held under the applicable bond resolution funded from SRF program funds. Pool SRF Bonds are further secured by the Pool Program Reserve Fund and all SRF Bonds are further secured by the Deficiency Fund, both held under the Program Resolution, all as further described below.

- ***Reserve Funds.*** The Trust uses SRF program funds to fund a reserve fund for each series of SRF Bonds in an amount initially equal to between 33% and 50% of the original principal amount of the related loans, depending on the types of projects being financed, the terms of the loans to the borrowers and the subsidy levels to which the borrowers are entitled. The reserve funds are available to cure or prevent any default in the payment of debt service on the related series of SRF Bonds or the related loans.



On each date that the Trust pays down the principal amount of a series of SRF Bonds or borrowers pay down the principal amount of the related loans, the amount held in the related reserve fund is reduced proportionately, and the amounts released from each such reserve fund are transferred either to the Pool Program Reserve Fund and then to the Deficiency Fund as described below, or directly to the Deficiency Fund.

The reserve funds, if any, securing future series of SRF Bonds may be funded at levels greater than or less than the levels applicable to the outstanding SRF Bonds. If such future reserve funds for a series of Pool SRF Bonds are funded at levels less than the levels applicable to the outstanding Pool SRF Bonds, the Trust is required to obtain a confirmation from each rating agency then rating the outstanding Pool SRF Bonds that such reduction will not by itself cause such rating agency to lower, suspend, remove or otherwise modify adversely the credit ratings then assigned by it to any outstanding Pool SRF Bonds. See Appendix B - "Summary of Certain Provisions of the Program Resolution - Conditions Precedent to Securing Program Bonds under Program Resolution."

**2004 Debt Service Reserve Fund.** Unlike other SRF Bonds, the Trust's Pool Program Refunding Bonds, Series 2004A and 2004B (the "2004 Refunding Bonds"), which were issued to refund portions of several series of SRF Bonds, are secured by a reserve fund (the "2004 Debt Service Reserve Fund") which was funded from proceeds of the 2004 Refunding Bonds and will be maintained in an amount equal to 10% of the principal amount of the 2004 Refunding Bonds outstanding from time to time. Amounts in the 2004 Debt Service Reserve Fund are available to pay debt service on the 2004 Refunding Bonds to the extent of any deficiency in the debt service fund for the 2004 Refunding Bonds following application of available amounts in the Pool Program Reserve Fund and Deficiency Fund to such purpose. Amounts released from the 2004 Debt Service Reserve Fund are applied to the payment of debt service on the 2004 Refunding Bonds, and are not transferred to the Pool Program Reserve Fund.

- **Pool Program Reserve Fund.** The Pool Program Reserve Fund is held by the Program Trustee under the Program Resolution. As amounts are released from each reserve fund securing a series of Pool SRF Bonds (other than the 2004 Debt Service Reserve Fund), together with certain amounts released from the reserve funds securing SESD SRF Bonds and MWRA SRF Bonds which have been refunded in part by Pool SRF Bonds, such amounts are transferred to the Pool Program Reserve Fund. The Pool Program Reserve Fund is pledged to secure all Pool SRF Bonds on a parity basis, including the Pool 11 Bonds.

Amounts in the Pool Program Reserve Fund are available to pay debt service on any series of Pool SRF Bonds to the extent that there are insufficient funds available in the related reserve fund to make such payment. In addition, amounts necessary to satisfy a deficiency in any reserve fund for a series of Pool SRF Bonds are held in the Pool Program Reserve Fund. Amounts not required to be used or held in the Pool Program Reserve Fund are promptly transferred to the Deficiency Fund. See Appendix D – "Pool SRF Bonds Debt Service and Pool Program Reserve Fund" for a table setting forth the amounts expected to be transferred from the reserve funds related to the Pool SRF Bonds to the Pool Program Reserve Fund and available on each principal and interest payment date to secure Pool SRF Bonds as described above.

- **Deficiency Fund.** The Deficiency Fund is held by the Program Trustee under the Program Resolution. As amounts are released from each reserve fund securing the MWRA SRF Bonds, the SESD SRF Bonds (other than those amounts from such reserve funds first transferred to the Pool Program Reserve Fund) and the New Bedford SRF Bonds, such amounts are transferred to the Deficiency Fund, together with funds released from the Pool Program Reserve Fund. The Deficiency Fund secures all SRF Bonds issued by the Trust on a parity basis, including the Pool 11 Bonds.

Amounts in the Deficiency Fund are available to pay debt service on any series of SRF Bonds to the extent that there are insufficient funds available in the related reserve fund to make such payment. In addition, amounts necessary to satisfy a deficiency in any reserve fund for a series of SRF Bonds are held in the Deficiency Fund. Amounts not required to be used or held in the Deficiency Fund are promptly transferred to the applicable Equity Fund, which are not pledged as security for any SRF Bonds.

The availability of amounts in the Pool Program Reserve Fund and the Deficiency Fund to satisfy deficiencies with respect to the Trust's SRF Bonds is dependent on the borrowers making their payments in a timely manner, on the timely receipt of earnings on the reserve funds and contract assistance payments from the Commonwealth, and on the timing of scheduled releases from the reserve funds allocable to such borrowers or the Trust's SRF Bonds.

For a more detailed description of the sources of payment and security for the SRF Bonds, see Appendix B - "Summaries of Certain Provisions of the Program Resolution -- Pool Program Reserve Fund; Deficiency Fund."

## **THE POOL SRF BONDS**

The Pool 11 Bonds will be the twelfth series of Pool SRF Bonds issued by the Trust. The Pool SRF Bonds previously issued by the Trust consist of eleven series issued in the original aggregate principal amount of \$2.9 billion between July 1993 and October 2004, of which \$850.1 million was issued to refund portions of certain series of prior Pool SRF Bonds, together with a portion of the SESD SRF Bonds and MWRA SRF Bonds. Upon the issuance of the Pool 11 Bonds, the aggregate outstanding principal amount of Pool SRF Bonds will be approximately \$2.1 billion. See Appendix C - "Pool SRF Bonds - Borrowers" for a description of the Pool Borrowers following issuance of the Pool 11 Bonds. The Trust expects to issue additional Pool SRF Bonds; however, the timing and amounts of such issuances have not been determined.

As described above, Pool SRF Bonds are payable in part from borrower loan repayments made pursuant to financing agreements, and are secured by local bonds issued by each related borrower and by the rights of the Trust in the related financing agreements. Upon the issuance of the Pool 11 Bonds, approximately 75.1% in aggregate principal amount of the outstanding loans funded by Pool SRF Bonds will be general obligations of the related borrowers under the Pool SRF program, payable from general revenues, including, but not limited to, ad valorem taxes, and approximately 24.9% in aggregate principal amount of the outstanding loans funded by Pool SRF Bonds will be revenue obligations payable solely from water and wastewater revenues of the related borrowers. See "SECURITY FOR THE BORROWER OBLIGATIONS."

As further described above, each series of Pool SRF Bonds is also payable in part from investment earnings on the related reserve fund, and Commonwealth contract assistance payments, together with investment earnings thereon. Upon the issuance of the Pool 11 Bonds, assuming the receipt of all such revenues, approximately 67.8% of the aggregate future debt service on the Pool SRF Bonds is expected to be paid from payments received from borrowers, approximately 20.0% is expected to be paid from Commonwealth contract assistance payments and investment earnings on certain of such payments and approximately 12.2% is expected to be paid from investment earnings on the reserve funds. See Appendix D -- "Pool SRF Bonds Debt Service and Pool Program Reserve Fund" for a table setting forth the expected sources of payment of debt service on the Pool SRF Bonds.

## **THE POOL 11 BONDS**

### **Special Obligations**

The Pool 11 Bonds are special obligations of the Trust and shall not constitute a pledge of its full faith and credit. The Pool 11 Bonds are payable solely from the funds pledged therefor pursuant to the Bond Resolution and the Program Resolution. The Trust has no taxing power. Neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the Pool 11 Bonds, and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision shall be pledged to the payment of the Pool 11 Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS."

### **Pledge Pursuant to the Bond Resolution**

Pursuant to the Bond Resolution, the Trust has assigned and pledged to the Bond Trustee as security for the payment of the Pool 11 Bonds: (1) all Revenues, (2) all rights and interests of the Trust in and to all loans and local bonds of the borrowers and all rights and interests of the Trust under the financing agreements therefor (other than its rights of indemnification and reimbursement and its right to receive administrative fees and origination fees thereunder), (3) all rights and interests of the Trust under all Revenue producing contracts (other than the Master

Funding Agreement, any Grant Agreement or the Commonwealth Assistance Contract) and (4) all amounts held in all funds and accounts under the Bond Resolution (other than the Rebate Fund). Revenues include repayments by the borrowers, Commonwealth contract assistance payments allocable to the borrowers and all earnings on the reserve fund and other funds held under the Bond Resolution. See Appendix B - "Summary of Certain Provisions of the Bond Resolution -- Pledge of the Bond Resolution."

## **Terms of Payment and Redemption**

The Pool 11 Bonds will be dated their date of delivery, will bear interest therefrom, payable on February 1 and August 1 of each year, commencing August 1, 2006, and will mature on August 1 in the years and in the principal amounts set forth on the inside cover page hereof. The principal of and interest on the Pool 11 Bonds will be payable at the corporate trust office of Wells Fargo Bank, N.A., as trustee under the Bond Resolution (the "Bond Trustee"), or at the office designated for such payment by any successor Bond Trustee.

As long as the Pool 11 Bonds are registered in book-entry only form, principal and interest will be payable solely to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as the sole registered owner of the Pool 11 Bonds. See Appendix H -- "The Depository Trust Company -- Book-Entry Only System" herein. If Pool 11 Bonds are issued in certificated form, interest on the Pool 11 Bonds will be payable thereafter to the person appearing on the registration books of the Bond Trustee as the registered owner thereof on the Record Date by check or draft mailed on the interest payment date to the registered owner or, following appropriate notice to the Bond Trustee, by wire transfer on the interest payment date to any owner of at least \$1,000,000 in aggregate principal amount of the Pool 11 Bonds. The Bond Resolution establishes the fifteenth day of the month preceding each interest payment date (or if such day is not a Business Day, the next preceding Business Day) as the Record Date for such interest payment date.

## ***Redemption***

***Optional Redemption.*** The Pool 11 Bonds maturing on or before August 1, 2015 are not subject to redemption prior to maturity. The Pool 11 Bonds maturing on August 1, 2018 bearing interest at 5.25%, the Pool 11 Bonds maturing on August 1, 2019 bearing interest at 5.25% and the Pool 11 Bonds maturing on August 1, 2022 are not subject to redemption prior to maturity. The Pool 11 Bonds maturing after August 1, 2015 (other than the Pool 11 Bonds described in the preceding sentence) shall be subject to redemption at any time on and after August 1, 2015, at the option of the Trust, from any moneys available therefor, in whole or in part in such order of maturities as shall be determined by the Trust, at a redemption price equal to the principal amount of the Pool 11 Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date.

***Mandatory Sinking Fund Redemption.*** The Pool 11 Bonds maturing on August 1, 2029 are also subject to mandatory sinking fund redemption in part, on the dates and in the amounts set forth below, at a redemption price equal to the principal amount of each Pool 11 Bond or portion thereof redeemed, plus accrued interest to the redemption date:

<u>August 1</u>	<u>Amount</u>
2027	\$3,120,000
2028	3,205,000
2029 <sup>†</sup>	3,300,000

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<sup>†</sup> Stated maturity.

The Pool 11 Bonds maturing on August 1, 2035 are also subject to mandatory sinking fund redemption in part, on the dates and in the amounts set forth below, at a redemption price equal to the principal amount of each Pool 11 Bond or portion thereof redeemed, plus accrued interest to the redemption date:

<u>August 1</u>	<u>Amount</u>
2030	\$3,390,000
2031	3,485,000
2032	3,585,000
2033	3,685,000
2034	3,790,000
2035 <sup>†</sup>	3,895,000

<sup>†</sup> Stated maturity.

If the Trust so directs, the Bond Trustee shall apply moneys held in the Debt Service Fund under the Bond Resolution prior to the forty-fifth (45<sup>th</sup>) day preceding a sinking fund redemption date to the purchase of Pool 11 Bonds of the maturity that are subject to such sinking fund redemption, at prices not exceeding the redemption price payable for such Pool 11 Bonds pursuant to such sinking fund redemption, plus unpaid interest accrued to the date of purchase. Upon such purchase of any Pool 11 Bond, the Bond Trustee shall then credit an amount equal to the principal of the Pool 11 Bond so purchased towards the sinking fund installments for the Pool 11 Bonds in accordance with a certificate of an Authorized Officer of the Trust.

Selection of Pool 11 Bonds to be redeemed. If less than all of the Pool 11 Bonds of a particular maturity are redeemed, and so long as the book-entry only system remains in effect for the Pool 11 Bonds, the Pool 11 Bonds of such maturity to be redeemed shall be selected by lot by DTC in such manner as DTC shall determine. If the book-entry only system no longer remains in effect for the Pool 11 Bonds, selection for redemption of less than all of the Pool 11 Bonds of a particular maturity will be made by the Bond Trustee by lot as provided in the Bond Resolution. If any of the Pool 11 Bonds to be redeemed are Pool 11 Bonds for which sinking fund installments have been established, the Trust shall select the dates and amounts by which such sinking fund installments are to be reduced.

Notice to Bondholders. Notice of redemption of Pool 11 Bonds shall be mailed, not less than thirty (30) nor more than sixty (60) days prior to the date of redemption, to the registered owners of the Pool 11 Bonds, or portions thereof, so called, but the failure to so mail such notice or any defect therein with respect to any particular Pool 11 Bonds shall not affect the validity of such call for redemption of any Pool 11 Bonds with respect to which no such failure or defect has occurred. All Pool 11 Bonds called for redemption will cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such Pool 11 Bonds in accordance with the Bond Resolution are on deposit with the Bond Trustee. If such moneys are not available on the redemption date, the Pool 11 Bonds or portions thereof will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. If, at the time of mailing of the notice of optional redemption, moneys have not been deposited with the Bond Trustee in an amount sufficient to redeem all the Pool 11 Bonds called for redemption, such notice may state that it is conditional, *i.e.*, subject to the deposit of sufficient moneys not later than the opening of business on the redemption date, and any such notice shall be of no effect unless such moneys are deposited. So long as the book-entry only system is in effect, redemption notices shall be sent only to the Depository Trust Company or its nominee. See Appendix H -- "The Depository Trust Company -- Book-Entry Only System."

## **Plan of Finance**

The Pool 11 Bonds are being issued to fund water pollution abatement projects and drinking water projects under the respective SRF programs. Proceeds of the Pool 11 Bonds in the amount of \$227,203,211 will be applied to fund loans for projects under the clean water SRF and \$76,858,465 of Pool 11 Bond proceeds will be applied to fund loans for projects under the drinking water SRF. The Pool 11 Bonds will provide loans to the 73 borrowers described in Appendix C hereto. If there are unexpended funds left in a project account upon completion of the related project, the unexpended funds may be used to prepay a portion of the related loan or for application to costs of other eligible projects for the applicable borrower or other eligible borrowers. See Appendix B - "Summary of Certain Provisions of the Bond Resolution - Application of Project Fund."

## Sources and Uses of Funds

It is anticipated that the proceeds of the Pool 11 Bonds, the SRF program funds and the Trust's funds to be allocated thereto will be applied as follows:

### Sources

Par amount of the Pool 11 Bonds.....	\$293,760,000.00
Net Original Issue Premium/Discount .....	10,309,195.20
SRF program funds (1) .....	116,978,851.58
Trust administrative funds(2) .....	<u>1,805,267.56</u>
Total Sources .....	<u>\$422,853,314.34</u>

### Uses

Project Costs(3) .....	\$304,061,676.00
Pool 11 Reserve Fund(1) .....	116,978,851.58
Costs of Issuance .....	635,704.76
Underwriters' compensation .....	<u>1,177,082.00</u>
Total Uses .....	<u>\$422,853,314.34</u>

- (1) This amount represents the aggregate amount of SRF program funds which are expected to be deposited in the Pool 11 Reserve Fund from SRF program funds upon the issuance of the Pool 11 Bonds.
- (2) This amount will be applied to pay costs of issuance, including the Underwriters' compensation.
- (3) Includes repayment of Interim Loans by certain Borrowers with a portion of the proceeds of the Bonds.

## Pool 11 Reserve Fund

The Trust will deposit SRF program funds in the reserve fund (the "Pool 11 Reserve Fund") established under the Bond Resolution for the Pool 11 Bonds in an amount initially equal to between 33% and 50% of the original principal amount of the related loans, depending on the types of projects being financed, the terms of the loans to the borrowers and the subsidy levels to which the borrowers are entitled. The amount to be deposited in the Pool 11 Reserve Fund will be funded from available amounts under the clean water SRF program and the drinking water SRF program, as applicable.

Amounts in the Pool 11 Reserve Fund are available to cure or prevent any default in the payment of debt service on the Pool 11 Bonds. By 1:00 p.m. on any day which is two Business Days prior to any interest or principal payment date for any outstanding Pool 11 Bonds, the Bond Trustee shall promptly notify the Trust and the Program Trustee as to any portion of the debt service payments on the Pool 11 Bonds that will not be paid due to a shortfall in revenues for the Pool 11 Bonds or that will be paid from amounts on deposit in the Pool 11 Reserve Fund due to such shortfall. To the extent that sufficient amounts are not available in the Pool 11 Reserve Fund for such purpose, such notice shall include a request for amounts from the Pool Program Reserve Fund, and, if necessary, the Deficiency Fund, as described above "SECURITY AND SOURCE OF PAYMENT FOR THE SRF BONDS -- SRF Reserves." See Appendix B - "Summary of Certain Provisions of the Bond Resolution -- Application of the Debt Service Fund; Application of the Debt Service Reserve Fund."

As principal on the Pool 11 Bonds is paid, a proportional amount will be released from the Pool 11 Reserve Fund and transferred to the Pool Program Reserve Fund. See the definition of "Equity Requirement" in Appendix C for a description of the amounts that the Trust will maintain in the Pool 11 Reserve Fund at all times.

## Pool 11 Investment Agreements

To assure the receipt of investment earnings in amounts and at times sufficient to provide adequate Pool 11 Reserve Fund earnings to pay the applicable amount of debt service on the Pool 11 Bonds, the Trust expects to provide for the investment of all amounts held and to be held in the Pool 11 Reserve Fund while the Pool 11 Bonds are outstanding by entering into investment agreements at or prior to the delivery of the Pool 11 Bonds with Trinity

Funding Company, LLC and FSA Capital Management Services, LLC. The investment agreements will have ratings and collateralization levels at least equivalent to those described under “SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS - Sources of Payment - *SRF Reserve Investment Earnings*.” See also Appendix G - “Table of Providers.”

### **Flow of Funds Under the Bond Resolution**

**Revenue Fund.** The Bond Trustee shall hold all local bonds issued by borrowers to secure loans funded from proceeds of the Pool 11 Bonds for the credit of the Revenue Fund established by the Bond Resolution. The Bond Trustee shall deposit in the Revenue Fund all payments received from the borrowers, all earnings on the Pool 11 Reserve Fund and certain other funds held under the Bond Resolution and all Commonwealth contract assistance payments. On or before each principal or interest payment date on the Pool 11 Bonds, the Bond Trustee shall withdraw from the Revenue Fund and transfer to the Debt Service Fund the amounts, if any, required to provide for the interest and principal on the Pool 11 Bonds due on such date.

Following the deposit to the Debt Service Fund, the Bond Trustee shall transfer any balance remaining in the Revenue Fund: **first**, to the Program Trustee in an amount sufficient to reimburse either the clean water SRF or the drinking water SRF, as applicable, for any prior draw on any fund or account under the Program Resolution to cure a default in a source of revenues related to the Pool 11 Bonds to the extent of revenues received in satisfaction of such default; **second**, to the Pool 11 Reserve Fund in an amount sufficient to reimburse it for any draw thereon to cure a default in a source of revenues related to the Pool 11 Bonds to the extent of revenues received in satisfaction of such default; and **third**, to the redemption fund, if so directed by the Trust.

The Bond Resolution permits the Trust to direct the Bond Trustee to pay all or any portion of amounts remaining in the Revenue Fund after such applications to the Trust, provided that prior to any such application the Trust shall have certified that such amounts remaining in the Revenue Fund are not required to make any future payments of interest and principal due or to become due on the Pool 11 Bonds. See Appendix B - “Summary of Certain Provisions of the Bond Resolution - Revenues and Revenue Fund.”

### **Additional Bonds**

No additional bonds may be issued pursuant to the Bond Resolution, although bonds issued to refund all or a portion of the Pool 11 Bonds may be secured by the revenues, loans, local bonds and funds and accounts pledged to the Pool 11 Bonds under the Bond Resolution. In addition to the Pool 11 Bonds, the Trust intends to issue bonds, including Pool SRF Bonds, pursuant to other bond resolutions to provide financial assistance to borrowers for projects eligible for financing under the Trust’s SRF programs. Any additional Pool SRF Bonds will be secured on a parity with the Pool 11 Bonds with respect to the accounts in the Pool Program Reserve Fund and the Deficiency Fund that are pledged pursuant to the Program Resolution. In addition, other bonds may be secured on a parity with all outstanding SRF Bonds, including the Pool 11 Bonds, with respect to the accounts in the Deficiency Fund that are pledged pursuant to the Program Resolution.

In the Program Resolution, the Trust has reserved the right to create a pledge on the funds and other property pledged to existing SRF Bonds, including the Pool 11 Bonds, that is junior and subordinate to any existing pledge, so long as such junior and subordinate pledge does not adversely affect the ratings then assigned to any outstanding SRF Bonds. See Appendix B - “Summary of Certain Provisions of the Program Resolution - Issuance of Program Bonds; Pledge.”

In the Bond Resolution, the Trust has reserved the right to create a pledge on the financing agreements, revenues and other property pledged to outstanding Pool 11 Bonds that is junior and subordinate to the pledge of such property to the Pool 11 Bonds so long as any such junior and subordinate pledge does not adversely affect the ratings then assigned to any outstanding Pool 11 Bonds by any rating agency. See Appendix B - “Summary of Certain Provisions of the Bond Resolution - Covenant as to Pledge; Issuance of Additional Obligations.”

## **SECURITY FOR THE BORROWER OBLIGATIONS**

Borrowers which receive loans funded with proceeds of Pool SRF Bonds may include local governmental units, including cities, towns, local and regional water and wastewater districts, municipal water and sewer commissions and the MWRA, and, in the case of the drinking water SRF program, private, for-profit owners of public water systems and not-for-profit owners of community water systems.

### **Cities and Towns**

Pursuant to the Act, each borrower which is a city or town is authorized to secure its loan with a local bond that is either a general obligation of such city or town payable from any source, including but not limited to ad valorem taxes, or a revenue obligation secured by water or sewer revenues or other particular revenues of the municipality, or a combination thereof.

Local bonds which are general obligations constitute a pledge of the full faith and credit of the city or town. Payment is not limited to a particular fund or revenue source. Except for the local aid intercepts described under "Local Aid Intercept" and taxes on the increased value of certain property in designated development districts which may be pledged for the payment of bonds issued to finance projects within such districts, neither the Trust nor other holders of general obligations of cities and towns have a statutory priority or security interest in any assets of the municipality, although the use of certain moneys may be restricted.

The principal tax of Massachusetts cities and towns is the tax on real and personal property. Massachusetts law directs municipal tax assessors to include annually in the property tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for and all amounts necessary to satisfy final judgments." The total amount of the tax levy is limited by a statute known as Proposition 2½. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on specific bond issues.

The primary limitation on the amount of the tax levy is that the levy cannot exceed 2.5% of the full and fair cash value of the taxable property in the municipality. A secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year, as determined by the state Commissioner of Revenue, by more than 2.5%, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. This secondary or "growth" limitation on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the growth limit under this procedure does not permit a tax levy in excess of the primary limitation. The applicable tax limits may also be reduced in any year by a majority vote of the voters. The state Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year."

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance projects in such districts, no provision is made under Massachusetts law for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments rendered after the tax levy has been fixed. With the approval of the state Director of Accounts, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Massachusetts cities and towns are subject to suit on their general obligation bonds and notes, and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the Proposition 2½ limits.

### **Regional Sewer Districts**

Certain regional districts, which include two or more cities or towns, including the SESD, have been established by the Massachusetts legislature to provide wastewater services within the district. Local bonds of such

districts are general obligations of the districts, which have no taxing power and which assess debt service and other costs upon the constituent cities and towns within the district in accordance with the laws under which the districts were organized and with contractual agreements among such cities and towns. The constituent municipalities' obligations to pay such district assessments are general obligations of the municipalities, generally subject to the limitations of Proposition 2½ described above.

### **Water Districts**

Certain water districts have been established by the Legislature for the purpose of providing drinking water services to a designated area of a city or town, or to designated areas within more than one city or town. Such districts have taxing power within their specified service area, and also have the ability to charge water rates within such service area. They can impose taxes and set their rates and charges independently, and their rates and charges are not subject to regulation by any other governmental body. The local bonds of such districts are general obligations of the districts, generally subject to the limitations of Proposition 2½ described above.

### **Municipal Water and Sewer Commissions and the Massachusetts Water Resources Authority**

Loans funded by the Trust for municipal water and sewer commissions and for the MWRA are payable from retail or wholesale water and sewer revenues. Such commissions and the MWRA are public instrumentalities and political subdivisions of the Commonwealth which are responsible for the operation of the water and wastewater systems of a particular service area. They have no taxing power, but fund their operations through the collection of fees and charges. They set their rates and charges independently, and their rates and charges are not subject to regulation by any other governmental body. To finance improvements to their water and wastewater systems, such commissions and the MWRA issue revenue bonds secured by a lien on their revenues. The local bonds issued by the MWRA and certain of such commissions to the Trust are subordinated as to both lien and payment to the senior indebtedness issued by the MWRA or such commission, as applicable.

### **Private Water Systems**

Under the Drinking Water Act, private, for-profit owners of public water systems and not-for-profit owners of community water systems (as defined by the Drinking Water Act) may qualify for financial assistance from the Trust's drinking water SRF program. Upon the issuance of the Pool 11 Bonds, there will be two outstanding loans to private owners funded with proceeds of Pool SRF Bonds. Each local bond issued to the Trust to secure such loans is a general obligation of the applicable private owner, payable from assessments charged to the users of the applicable water system. Additionally, payment of the principal and interest on one such local bond is secured by an irrevocable letter of credit issued to the Trust, and payment of the principal and interest on the other such local bond is guaranteed by the parent company of the private owner, in each case on terms and conditions satisfactory to the Trust.

### **Local Aid Intercept**

Upon a borrower's default in payment on its loan, the Trust is authorized by the Act to utilize a mechanism referred to as a "local aid intercept" to obtain state financial assistance that would otherwise be transferred by the State Treasurer to any local governmental unit to which such default is directly or indirectly attributable.

Pursuant to the Act, if a borrower which is a city, town or water district fails to make a timely payment of its debt service payments on its loan, the Trust is authorized to certify to the State Treasurer the amount owing to the Trust by reason of such failure, and the State Treasurer shall promptly pay to the Trust such amount, without further appropriation, from any local aid distribution otherwise payable to such borrower. Borrowers which are water districts or owners of private water systems generally receive little or no state financial assistance. Therefore, the value of the local aid intercept to the Trust is minimal or non-existent in the case of such borrowers.

If a city or town or other governmental service recipient of a regional local governmental unit, including regional districts and the MWRA, fails to pay when due any charges of the regional entity required for the regional entity to meet its debt service payments on its loan, the Act authorizes the regional entity to certify to the State Treasurer the amount owing to such regional entity by reason of such failure, and the State Treasurer shall promptly



pay to the regional entity such amount, without further appropriation, from any local aid distribution otherwise payable to such city or town or other service recipient. If the Trust determines that a regional entity's failure to make a timely payment on its debt service payments on its loan is due to the failure by a city or town or other service recipient of such regional entity to pay an assessment or charge to the regional entity and that the regional entity has failed or refused to use the local aid intercept pursuant to the Act or any similar provision of law, then the Trust is authorized by the Act to certify to the State Treasurer the amount owing to the regional entity by reason of such failure, and the State Treasurer shall promptly pay to the Trust such amount, without further appropriation from any local aid payment otherwise payable to such city or town or service recipient. Any dispute regarding the amount of such local aid payments of cities, towns or other service recipients of a regional entity that are intercepted and paid by the State Treasurer to the Trust is subject to arbitration by an appeals board established by the Act.

If a borrower is an agency, commission or instrumentality of a city or town, the State Treasurer shall pay the local aid intercept to the Trust from amounts otherwise payable to such city or town as local aid distributions.

Massachusetts law provides for other local aid intercepts under the Massachusetts Qualified Bond Act and for amounts due to the Commonwealth from a city or town for certain assessments, including assessments to the Massachusetts Bay Transportation Authority and the MWRA. Under the Qualified Bond Act, local debt service is paid directly by the Commonwealth, which then reimburses itself from otherwise distributable local aid. The Qualified Bond Act also contains a legislative covenant with bondholders that the act itself will not be modified to divert local aid to other purposes. The effect of this covenant, which was enacted in 1980, on the local aid intercept provisions in the Act, which was enacted in 1989, is uncertain, but it may be construed to grant a priority to holders of bonds issued under the Qualified Bond Act. With respect to the local aid intercepts that are triggered by a local default, Massachusetts law does not establish a priority of payment in the event of two or more defaults by a city or town which subject such city or town to such remedy.

## **THE TRUST**

### **General**

The Trust was created in 1989 by the Act. The Trust is a public instrumentality of the Commonwealth, and is responsible for administering the clean water SRF and the drinking water SRF established under the Act to provide financial assistance to borrowers for water pollution abatement projects and drinking water projects, respectively.

Title VI of the federal Clean Water Act, as amended by the federal Water Quality Act of 1987 (the "Clean Water Act") provides for the establishment of state revolving fund programs to provide financial assistance to borrowers in connection with the construction of publicly owned systems for the storage, treatment, recycling and reclamation of municipal sewage. The amendments to the federal Safe Drinking Water Act adopted in 1996 (the "Drinking Water Act") provide for the establishment of state revolving fund programs to provide financial assistance to borrowers, including for-profit companies and not-for-profit community water systems, for expenditures which will facilitate compliance with national drinking water regulations or otherwise advance the health protection objectives of the Drinking Water Act.

Pursuant to the clean water SRF, the Trust provides financing to borrowers to fund costs of water pollution abatement projects, including loans ("Title 5 Loans") to fund community septic management programs, which are eligible for funding pursuant to the Clean Water Act. Pursuant to the drinking water SRF, the Trust funds the costs of drinking water projects which are eligible for funding pursuant to the Drinking Water Act.

The Trust has also established a separate Commonwealth program to provide financial assistance for costs of water pollution abatement projects that are not eligible for funding pursuant to the Clean Water Act, or for other projects which the Trust may want to finance. The Trust currently has \$21.3 million of bonds outstanding under its Commonwealth program.

## Organization

The Trust is governed by a three-member Board of Trustees, serving ex officio, consisting of the Treasurer and Receiver-General of the Commonwealth (the “State Treasurer”), whom the Act also designates as the Chairman of the Board of Trustees, the Secretary of the Executive Office for Administration and Finance and the Commissioner of the Department of Environmental Protection (“DEP”). The Trustees and their respective offices are as follows:

<u>Trustee</u>	<u>Office</u>
Timothy P. Cahill, Chairman	Treasurer and Receiver-General of the Commonwealth
Thomas H. Trimarco, Vice Chairman	Secretary of the Executive Office for Administration and Finance of the Commonwealth
Robert W. Golledge, Jr., Trustee	Commissioner of the Department of Environmental Protection of the Commonwealth

The Act authorizes each Trustee to appoint a designee to serve in the absence of such Trustee. The current designee of the State Treasurer is Timothy A. Brooks, Deputy Treasurer for Financial Operations, the current designee of the Secretary of Administration and Finance is Carlo A. DeSantis, Assistant Secretary for Capital Finance and Operations, and the current designee of the Commissioner of DEP is Steven J. McCurdy, Acting Director, Division of Municipal Services for the DEP.

The Trust is staffed by employees of the three state offices responsible for its administration: the office of the State Treasurer, the Executive Office for Administration and Finance and DEP. The current officers of the Trust appointed by the Board of Trustees are as follows:

<u>Officer</u>	<u>Trust Office</u>
Scott A. Jordan	Executive Director
Nancy E. Parrillo	Chief Financial Officer
Carlo A. DeSantis	Director of Finance and Administration*
Steven J. McCurdy	Director of Program Development*

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\* Each of these officers, in addition to their responsibilities to the Trust, have other responsibilities within their respective executive departments.

Pursuant to by-laws adopted by the Board of Trustees, the Executive Director, the Director of Finance and Administration and the Director of Program Development constitute the Executive Committee of the Trust. The Executive Director is the Chairman of the Executive Committee.

The Executive Director is the chief executive officer of the Trust and is responsible for supervising the administrative affairs and general management and operations of the Trust. The Chief Financial Officer is responsible, under the supervision of the Executive Director, for financial controls of the Trust, for supervising all accounting and auditing matters of the Trust, disbursements and payments and for keeping accurate records of all matters with respect to bonds issued by the Trust.

The Director of Finance and Administration is responsible for supervising all Commonwealth budget matters relating to the Trust, for preparing an annual budget for the Trust, for overseeing the review of program participants’ financial information and for acting as liaison to the Executive Office for Administration and Finance. The Director of Program Development is responsible for supervising the development and implementation of the Trust’s financing programs as contemplated by the Act, for coordinating project approvals with DEP and for acting as liaison with the federal Environmental Protection Agency (“EPA”), DEP and the Executive Office of Environmental Affairs of the Commonwealth.

## **Application and Compliance Process**

DEP has promulgated regulations which set forth its regulatory and supervisory powers associated with its approval of projects eligible for assistance from the Trust's SRF programs. DEP determines which projects on its annual priority list are eligible for funding under the Trust's SRF programs and includes such projects in the Intended Use Plans, which are filed with EPA as part of the Trust's application for federal grants for its SRF programs.

DEP reviews each borrower's application, which includes plans and specifications for the project, evidence of the authorization of sufficient funds to finance the project and information on the borrower's financial capability. Upon approval of application and project, DEP certifies to the Trust those costs of the project eligible for funding from the SRF program. Once a project is financed by the Trust under the applicable SRF program, DEP and the borrower enter into a project regulatory agreement which includes a disbursement schedule, procedures for approval and payment of requisitions and a set of conditions related to the borrower's compliance with DEP regulations and other federal and state statutes and regulations applicable to the construction and operation of the project. DEP also conducts site inspections and other related oversight activities to ensure that the project has been constructed in accordance with plans and specifications previously approved by DEP.

## **Method of Funding**

The Trust, DEP and EPA have entered into a Revolving Fund Operating Agreement for each of the clean water SRF and the drinking water SRF which sets forth rules, procedures and activities to be followed by EPA and the Trust in administering the related federal grants and SRF program. To date, the Trust has been awarded a total of approximately \$867.7 million in federal grants and approximately \$173.6 million in Commonwealth matching funds under the clean water SRF program. The Trust has also received a total of approximately \$247.0 million in federal grants, which includes approximately \$41.5 million in federally mandated set-asides for technical assistance and other matters, and approximately \$48.2 million in Commonwealth matching funds under the drinking water SRF program. In addition, the Commonwealth has appropriated an additional \$30.0 million which may be drawn by the Trust solely to fund or finance Title 5 Loans.

Federal grants are received by the Trust pursuant to the applicable Revolving Fund Operating Agreement and EPA Assistance Agreements between the Trust and EPA. Commonwealth matching funds are received by the Trust pursuant to the Amended and Restated Master Funding Agreement dated as of October 3, 2005, entered into by the Trust, DEP, the State Treasurer and the Commonwealth's Secretary of Administration and Finance. Cash draws on Commonwealth matching funds are made by a written request submitted by the Trust to the State Treasurer. No additional appropriation is required for draws under either the federal grants or Commonwealth matching funds.

The periodic cash draws by the Trust on the federal grants are based on the amount of incurred costs for certain eligible projects or activities. However, up to the full amount of the federal grants and the related Commonwealth matching funds allocated to a borrower under either the clean water or drinking water SRF programs can be drawn upon immediately to the extent necessary to prevent an imminent default on the related SRF Bonds.

## **ABSENCE OF LITIGATION**

There is not now pending against the Trust any litigation restraining or enjoining the issuance or delivery of the Pool 11 Bonds or questioning or affecting the validity of the Pool 11 Bonds or the proceedings and authority under which the Pool 11 Bonds are to be issued, or the pledge or application of any moneys or the security provided for the payment of the Pool 11 Bonds, or the existence or powers of the Trust or restraining or enjoining the execution, delivery or performance of the Pool 11 Bonds, the Program Resolution, the Bond Resolution, the financing agreements or the proceedings under which they were issued or authorized or questioning or affecting the validity of any such agreements.

There is not now pending against the Commonwealth any litigation restraining or enjoining the execution, delivery or performance of the Commonwealth Assistance Contract or the Master Funding Agreement, or questioning or affecting the validity of such agreements.

In connection with the issuance of the local bonds to the Trust, each borrower has certified or will certify that there was not or is not then pending against such borrower any litigation restraining or enjoining the undertaking or issuance or delivery of the local bonds or the proceedings and authority under which such local bonds are to be undertaken or issued, as applicable, or the pledge or application of any moneys or the security provided for the payment of such local bonds, or the existence or powers of such borrower, or restraining or enjoining the execution, delivery or performance of such local bonds or the proceedings under which they were issued or authorized.

## **LEGAL INVESTMENTS**

Under the provisions of the Act, the Pool 11 Bonds are securities in which public officers and agencies, insurance companies, financial institutions, investment companies, executors, administrators, trustees and others may properly invest funds including capital in their control. The Pool 11 Bonds, under the Act, are securities which may be deposited with any public officer or any agency for any purpose for which the deposit of Pool 11 Bonds is authorized by law. Certain of such investors may be subject to separate restrictions which limit or prevent their investment in the Pool 11 Bonds.

## **TAX EXEMPTION**

Bond Counsel is of the opinion that, under existing law, interest on the Pool 11 Bonds will not be included in the gross income of holders of the Pool 11 Bonds for federal income tax purposes. This opinion is expressly conditioned upon continued compliance with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which must be satisfied subsequent to the date of issuance of the Pool 11 Bonds in order to assure that interest on the Pool 11 Bonds is and continues to be excludable from the gross income of holders of the Pool 11 Bonds. Failure to comply with certain of such requirements could cause interest on the Pool 11 Bonds to be included in the gross income of holders of the Pool 11 Bonds retroactive to the date of issuance of the Pool 11 Bonds. In particular, and without limitation, these requirements include restrictions on the use, expenditure and investment of Pool 11 Bond proceeds and the payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions. The borrowers and, to the extent necessary, the Trust have provided covenants and certificates as to continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, since the Pool 11 Bonds are not "private activity Pool 11 Bonds" under the Code, interest on the Pool 11 Bonds will not constitute a preference item under Section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under Section 55 of the Code. However, interest on the Pool 11 Bonds will be included in "adjusted current earnings" of corporate holders of the Pool 11 Bonds and therefore will be taken into account under Section 56(g) of the Code in the computation of the alternative minimum tax applicable to certain corporations.

Bond Counsel has not opined as to any other matters of federal tax law relating to the Pool 11 Bonds. However, prospective purchasers should be aware of certain collateral consequences which may result under federal tax law for certain holders of the Pool 11 Bonds: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Pool 11 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Pool 11 Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15 percent of the sum of certain items, including interest on the Pool 11 Bonds, (iii) interest on the Pool 11 Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Pool 11 Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income, (v) Section 86 of the Code requires borrowers of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income receipts or accruals of interest on the Pool 11 Bonds, and (vi) receipt of investment income, including interest on the Pool 11 Bonds, may, pursuant to Section 32(i) of the Code, disqualify the borrower from obtaining the earned income credit provided by Section 32(a) of the Code.

In the opinion of Bond Counsel, under existing law, interest on the Pool 11 Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the Pool 11 Bonds are exempt from

Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Pool 11 Bonds. Prospective purchasers should be aware, however, that the Pool 11 Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Pool 11 Bonds and the interest thereon are included in the measure of Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Pool 11 Bonds or the income therefrom under the laws of any state other than Massachusetts.

For federal and Massachusetts tax purposes, interest includes original issue discount. Original issue discount with respect to a Bond is equal to the excess, if any, of the stated redemption price at maturity of such Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all Pool 11 Bonds with the same maturity were sold. Original issue discount accrues actuarially over the term of a Bond. Holders should consult their own tax advisers with respect to the computation of original issue discount on such accruals of interest during the period in which any such Bond is held.

An amount equal to the excess, if any, of the purchase price of a Bond over the principal amount payable at maturity constitutes amortizable bond premium for federal and Massachusetts tax purposes. The required amortization of such premium during the term of a Bond will result in reduction of the holder's tax basis in such Bond. Such amortization also will result in reduction of the amount of the stated interest on the Bond taken into account as interest for tax purposes. Holders of Pool 11 Bonds purchased at a premium should consult their own tax advisers with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state or local tax consequences of owning such Pool 11 Bonds.

## **UNDERWRITING**

The Underwriters have agreed, subject to certain conditions, to purchase the Pool 11 Bonds from the Trust and to reoffer such Pool 11 Bonds at the public offering prices or yields set forth on the inside cover page hereof, upon receipt of compensation from the Trust in an amount equal to \$1,177,082.00. The Pool 11 Bonds may be offered and sold to certain dealers (including dealers depositing Pool 11 Bonds into investment trusts) at prices lower than such public offering prices and such prices may be changed, from time to time, by the Underwriters. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all the Pool 11 Bonds if any Pool 11 Bonds are purchased. The Underwriters have designated Merrill Lynch & Co. as their representative.

## **RATINGS**

The Pool 11 Bonds have been rated "AAA" by Fitch Ratings, Inc. ("Fitch"), One State Street Plaza, New York, New York, "Aaa" by Moody's, 99 Church Street, New York, New York, and "AAA" by Standard & Poor's, 55 Water Street, New York, New York. The ratings assigned by Fitch, Moody's and Standard & Poor's express only the views of the rating agencies. The explanation of the significance of the ratings may be obtained from Fitch, Moody's and Standard & Poor's, respectively. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of ratings on the Pool 11 Bonds may have an effect on the market price thereof.

## **FINANCIAL ADVISOR**

Lamont Financial Services Corporation has served as Financial Advisor to the Trust with respect to the sale of the Pool 11 Bonds. The Financial Advisor has assisted in various matters relating to the planning, structuring and issuance of the Pool 11 Bonds.

## **CERTAIN LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Pool 11 Bonds will be approved by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, Boston, Massachusetts. The approving opinion of Bond Counsel with respect to the Pool 11 Bonds will be in substantially the form attached hereto as Appendix E. Certain matters will be passed upon for the Trust by Palmer & Dodge LLP, Boston, Massachusetts, Program Counsel to the Trust. Certain matters will be passed upon for the Underwriters by Holland & Knight, LLP, Boston, Massachusetts. Certain legal matters have been or will be passed upon for each borrower by its bond counsel, including matters relating to the validity and enforceability of the obligations of such borrower under the applicable financing agreement. Palmer & Dodge LLP serves as bond counsel to certain of the borrowers.

## **OTHER AVAILABLE INFORMATION**

The Trust prepares an Annual Report with respect to each fiscal year ending June 30 which generally becomes available in November of the following fiscal year. The Annual Report includes information relating to the Trust and its loan programs and operations and audited financial statements for the fiscal year ending June 30. The Department of the State Auditor also audits all agencies, departments and authorities of the Commonwealth, including the Trust, at least every two years. Copies of audit reports may be obtained from the State Auditor, State House, Room 229, Boston, Massachusetts 02133.

Questions regarding this Official Statement or requests for additional information concerning the Trust, including its most recent audited annual financial statements, should be directed to Nancy Parrillo, Chief Financial Officer, Massachusetts Water Pollution Abatement Trust, One Ashburton Place, Boston, Massachusetts 02108, telephone (617) 367-3900. Questions regarding legal matters should be directed to John R. Regier or Navjeet K. Bal, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 542-6000.

The Commonwealth prepares its Comprehensive Annual Financial Report ("CAFR") with respect to each fiscal year ending June 30, which becomes available in January of the following fiscal year. Copies of the CAFR may be obtained by requesting the same in writing from the Office of the Comptroller, One Ashburton Place, Room 909, Boston, Massachusetts 02108. For further information about the Commonwealth, specific reference is made to the Commonwealth's Information Statement dated March 17, 2005 (the "Information Statement"), as supplemented by the Commonwealth Information Statement Supplement dated September 30, 2005 (the "Supplement"). The Information Statement appears as Appendix A in the Commonwealth's Official Statement dated March 17, 2005 with respect to its General Obligation Bonds, Consolidated Loan of 2005, Series A. The Supplement appears as Appendix A to the Commonwealth's Official Statement dated September 30, 2005 with respect to its General Obligation Bonds, Consolidated Loan of 2005, Series C and its General Obligation Bonds, Consolidated Loan of 2005, Series D (Federally Taxable). It is anticipated that the Commonwealth may issue a further Information Statement Supplement (the "Further Supplement") prior to the issuance of the Pool 11 Bonds, to which specific reference is hereby made. Copies of the aforesaid Official Statements have been filed with the Municipal Securities Rulemaking Board and with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission. Copies of the Further Supplement, if issued, will be filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission. Copies of the aforesaid Official Statements and Further Supplement, if issued, may also be obtained from the Trust and the Underwriters. The Information Statement and the Supplement, together with the Further Supplement, if issued, should be read in their entirety in order to obtain appropriate fiscal, financial and economic information concerning the Commonwealth. Questions regarding the Commonwealth's Information Statement or requests for additional financial information concerning the Commonwealth should be directed to Patrick F. Landers, III, Assistant Treasurer, Debt Management, Office of the Treasurer-Receiver General, One Ashburton Place, Twelfth Floor, Boston, Massachusetts 02108, telephone (617) 367-3900, or Carlo A. DeSantis, Assistant Secretary for Capital Finance and Operations, Executive Office for Administration and Finance, State House, Room 272, Boston, Massachusetts 02133, telephone (617) 727-2040.

## **CONTINUING DISCLOSURE**

The Trust and the Commonwealth will undertake for the benefit of the owners (including beneficial owners) of the Pool 11 Bonds to provide certain continuing disclosure. The undertakings have been made pursuant to the provisions of Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934 (as amended, the “Rule”).

More specifically, the Trust will agree for the benefit of the owners of the Pool 11 Bonds in a Continuing Disclosure Certificate to be executed by the Trust at or prior to the issuance of the Pool 11 Bonds to provide certain financial information relating to the Trust (the “Trust Annual Information”) no later than 270 days after the end of each fiscal year and to provide notices of the occurrence of certain enumerated events, if material. The Trust Annual Information will be filed by the Trust with each NRMSIR and with any state depository in the Commonwealth. Notices of enumerated events will be filed by the Trust with each NRMSIR. The nature of the information to be included in the Trust Annual Information and the notices of enumerated events is set forth under Appendix F - “Summary Of Continuing Disclosure Undertakings.”

In addition, each borrower of financial assistance from the Pool SRF Bonds will agree in its financing agreement to provide an annual report to the Trust, containing or incorporating the most recently available audited financial statements of such borrower, not later than 270 days after the close of each fiscal year during any period during which such borrower is an “obligated person” with respect to the Pool SRF Bonds within the meaning of the Rule, as evidenced by a notice to that effect furnished to the borrower by the Trust. In accordance with a standard adopted by the Trust pursuant to the Rule, a borrower shall be considered an “obligated person” with respect to the Pool SRF Bonds if the aggregate principal amount of all of its financing agreements under the Pool SRF program outstanding as of the end of any fiscal year constitutes 20% or more of the aggregate principal amount of all financing agreements outstanding under the Pool SRF program as of the end of such fiscal year. The Trust will file the annual reports, if any, received from borrowers with each NRMSIR and state depository, if any, at the same time and in the same manner as the Trust Annual Information. As of the date of the issuance of the Pool 11 Bonds, no borrowers are considered “obligated persons” with respect to the Pool 11 Bonds.

Further, prior to the issuance of the Pool 11 Bonds, the Trust and the Commonwealth will enter into the Commonwealth Continuing Disclosure Agreement pursuant to which the Treasurer and Receiver-General of the Commonwealth will agree, for the benefit of the owners of the Pool 11 Bonds, to provide certain annual financial information and operating data concerning the Commonwealth. Such information will be filed by the Commonwealth in the same manner as the Trust Annual Information. The nature of such information is also set forth under Appendix F - “Summary Of Continuing Disclosure Undertakings.”

The sole remedy for any owner or beneficial owner of a Bond upon any failure by the Trust, a borrower, or the Commonwealth to fulfill its continuing disclosure undertakings is a suit in equity for specific performance of the undertakings and not for money damages.

The Trust and the Commonwealth have complied in all material respects with their existing undertakings to provide annual reports and notices of material events in accordance with the Rule.

## **FURTHER INFORMATION**

The references herein to and summaries of federal, Commonwealth and local laws, including but not limited to the Code, the laws of the Commonwealth, the Act, the Clean Water Act and the Drinking Water Act, and to certain documents and agreements pertaining to the Pool 11 Bonds, are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents or agreements. Copies of the Program Resolution, the Bond Resolution, the financing agreements, the Commonwealth Assistance Contract and the Master Funding Agreement are available for inspection during normal business hours at the office of the Trust.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Neither this Official Statement nor any statement that may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any holders of the Pool 11 Bonds.

MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

By: /s/ Timothy P. Cahill  
Timothy P. Cahill  
Chairman, Board of Trustees

October 19, 2005



**DEFINITIONS OF CERTAIN TERMS**

In addition to the terms defined elsewhere in this Official Statement, the following are summary definitions of certain terms used in the Program Resolution, the Bond Resolution, the Financing Agreements and in this Official Statement.

“Administrative Fees” means annual or other periodic fees paid by or for the account of a Borrower to defray administrative expenses of the Trust relating to the Program in the amounts set forth in, or determined in accordance with, the applicable Financing Agreement.

“Aggregate Debt Service” for any Fiscal Year means, as of any date of calculation, the sum of the amounts of Debt Service for such year with respect to the Bonds Outstanding.

“Allocated Equity” means the amount of Equity, if any, allocated to the Bonds, as specified in an Equity Allocation Certificate.

“Authenticating Agent” means the Bond Trustee.

“Bond” or “Bonds” means any of the \$293,760,000 Massachusetts Water Pollution Abatement Trust, Pool Program Bonds, Series 11, dated their date of delivery, authenticated and delivered under the Bond Resolution and any Bond or Bonds duly issued in exchange or replacement therefor;

“Bond Act” means, collectively, the laws of the Commonwealth, including without limitation the Act, under or pursuant to which any local governmental obligations are issued by a Borrower to the Trust.

“Bondowner” and the term “Owner” or “owner” or any similar term, when used with reference to Bonds, means the registered owner of any Bond.

“Bond Resolution,” as used in the Financing Agreements, means the Trust’s Water Pollution Abatement and Drinking Water Project Bond Resolution, Pool Program, Series 11 as used in the Program Resolution, the term “bond resolution” means any resolution or trust agreement adopted or entered into by the Trust for the purpose of providing for the issuance of, and security for, Program Bonds and the term “pool bond resolution” means any resolution or trust agreement adopted or entered into by the Trust for the purpose of providing for the issuance of, and security for, Pool Bonds.

“Borrower” with respect to a Loan or any Local Governmental Obligation means the local governmental unit or other eligible borrower which is the obligor on such Loan or Local Governmental Obligation, or any body, agency, political subdivision, officer or other instrumentality of the Commonwealth which shall hereafter succeed to the powers, duties and functions of said local governmental unit or other eligible borrower.

“Borrower Payments,” means respect to a Loan or an issue of Local Governmental Obligations, means all payments on account of the principal, interest and premium, if any, due on such Loan or Local Governmental Obligations including without limitation (1) scheduled payments of principal and interest on such Loan or Local Governmental Obligations, (2) prepayments of principal or interest and any additional amounts payable upon prepayment of such Loan or Local Governmental Obligations, and (3) any amounts paid or received with respect to such Loan or Local Governmental Obligations on account of (i) acceleration of the due date of such Loan or Local Governmental Obligations, (ii) subject to certain covenants of such Loan or Local Governmental Obligations as described in the Bond Resolution, the sale or other disposition of such Loan or Local Governmental Obligations and any collateral securing the same, (iii) the receipt of proceeds of any insurance or guaranty of such Loan or Local Governmental Obligations, and (iv) the exercise of any right or remedy granted or available under law or the applicable Financing Agreement upon the occurrence of a Payment Default on such Loan or Local Governmental Obligations. The term “Borrower Payments” shall not include any Administrative Fees or Origination Fees;

“Business Day” means any day other than a Saturday, a Sunday or any other day on which banks doing business in the Commonwealth are authorized or required to be closed for business.

“Clean Water Act” means Title VI of the Federal Water Pollution Control Act (Pub. L. 92-500, commonly known as the Clean Water Act), as amended by the Federal Clean Water Act of 1987 (Pub. L. 100-4), as the same may be further amended from time to time, and all regulations of the United States Environmental Protection Agency applicable thereto, as amended from time to time.

“Clean Water Loan” means any Loan made by the Trust for the purpose of financing or refinancing Costs of a Clean Water Project.

“Clean Water Bonds” means, at any date of determination, those Bonds the proceeds of which have been applied to fund Clean Water Obligations, as set forth in the Equity Allocation Certificate, as it may be amended from time to time;

“Clean Water Debt Service Reserve Account Requirement” means, at any date of calculation, an amount equal to the aggregate Equity Requirement for all Clean Water Bonds Outstanding, less (i) the aggregate amount, if any, on deposit in the Clean Water Leveraged Bond Account within the Leveraged Bond Fund that has been allocated to such Clean Water Bonds, and (ii) the aggregate amount, if any, thereafter available to be drawn under Federal Capitalization Grants or Commonwealth Matching Grants or otherwise pursuant to any Grant Agreement that has been allocated as Equity for such Clean Water Bonds;

“Clean Water Obligation” means a Loan provided by the Trust to, or any Local Governmental Obligations purchased from, a Borrower to finance or refinance all or any part of the Cost of a Clean Water Project.

“Clean Water Program” means the program administered by the Trust and DEP in accordance with the Act and the Program Resolution to finance Loans and Interim Loans to local governmental units, and to purchase Local Governmental Obligations from local governmental units, for Costs of Clean Water Projects.

“Clean Water Project” means a “water pollution abatement project” as defined in the Act.

“Clean Water Revolving Fund” means the Water Pollution Abatement Revolving Fund established pursuant to Section 2L of Chapter 29 of the General Laws of the Commonwealth.

“Clean Water SRF” means the federal water pollution control revolving fund contemplated by the Clean Water Act.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and all Treasury Regulations promulgated thereunder to the extent applicable to any Program Bonds, Bonds, Loans, Interim Loans or Local Governmental Obligations, as the case may be.

“Commonwealth Matching Grant” means an amount provided to the Trust in accordance with the Clean Water Act or the Drinking Water Act, as applicable, the Act and the Master Funding Agreement as a matching grant to a Federal Capitalization Grant.

“Commonwealth Program Loan” means any Loan or Interim Loan, as applicable, made to a Borrower under the Clean Water Program (1) all or any portion of the proceeds of which are expected at the date of origination of such Loan or Interim Loan or on the date of authentication and delivery of the related series of Bonds if earlier to be applied by the Borrower directly or indirectly to finance or refinance Costs of a Clean Water Project which are not eligible for financing or refinancing with funds attributable to Federal Capitalization Grants or (2) which, although eligible for financing or refinancing with funds attributable to Federal Capitalization Grants, is nonetheless designated as a Commonwealth Program Loan in or pursuant to the applicable bond resolution or by certificate of an Authorized Officer of the Trust delivered to the Program Trustee;

“Contract Assistance Payments” means payments, if any, made to the Trust by the Commonwealth in accordance with Section 6, Section 6A or Section 18 of the Act and the Commonwealth Assistance Contract, including without limitation any amounts received by the Trust on account of the exercise of any right or remedy granted or available under law or the Commonwealth Assistance Contract upon the occurrence of a Payment Default by the Commonwealth thereunder, to be applied by the Trust to pay Debt Service on the Bonds, as more fully described in the applicable Contract Assistance Determination;

“Cost,” when used with reference to a Project, means any “cost” thereof (as defined in the Act) approved by DEP including without limitation all costs, whenever incurred, of carrying out a Project (whether or not eligible for financial assistance pursuant to Section 6, Section 6A or Section 18 of the Act), costs of planning, preparation of studies and surveys, design, construction, expansion, facilities, improvement and rehabilitation, acquisition of real property, personal property, materials, machinery or equipment, start-up costs, demolitions and relocations, reserves and working capital, administrative, legal and financing expenses, and other expenses necessary or incidental to the foregoing.

“Debt Service” means, with respect to Bonds Outstanding in any particular period, an amount equal to the sum of (1) all interest payable on such Bonds during such period (other than interest, if any, included in the Principal Installments on such Bonds payable in such period) plus (2) the Principal Installment or Installments of such Bonds payable during such period.

“Direct Loan” means a Loan funded by the Trust solely from amounts held in or for the account of the Direct Loan Fund and not from the proceeds of Bonds.

“Drinking Water Act” means Title XIV of the Federal Public Health Service Act, commonly known as the Safe Drinking Water Act, 42 USC 300f et seq. as the same may be further amended from time to time, and all regulations of the United States Environmental Protection Agency applicable thereto as amended from time to time.

“Drinking Water Bonds” means, at any date of determination, those Bonds the proceeds of which have been applied to fund Drinking Water Obligations, as set forth in the Equity Allocation Certificate, as it may be amended from time to time.

“Drinking Water Debt Service Reserve Account Requirement” means, at any date of calculation, an amount equal to the aggregate Equity Requirements for all Drinking Water Bonds outstanding, less (i) the aggregate amount, if any, on deposit in the Drinking Water Leveraged Bond Account within the Leveraged Bond Fund that has been allocated to such Drinking Water Bonds, and (ii) the aggregate amount, if any, thereafter available to be drawn under Federal Capitalization Grants or Commonwealth Matching Grants or otherwise pursuant to any Grant Agreement that has been allocated as Equity for such Drinking Water Bonds.

“Drinking Water Obligation” means a Loan provided by the Trust to a Borrower to finance or refinance all or any part of the Cost of a Drinking Water Project.

“Drinking Water Program” means the program administered by the Trust and the Department in accordance with the Act and the Program Resolution to finance Loans and Interim Loans to local governmental units and other eligible borrowers for Costs of Drinking Water Projects.

“Drinking Water Project” means a “drinking water project” as defined in the Act.

“Drinking Water Revolving Fund” means the Drinking Water Revolving Fund established pursuant to Section 2QQ of Chapter 29 of the General Laws of the Commonwealth.

“Drinking Water SRF” means the federal safe drinking water revolving fund contemplated by the Drinking Water Act.

“Equity” means amounts derived or to be derived by the Trust from or on account of Federal Capitalization Grants, Commonwealth Matching Grants and other amounts deposited in the Clean Water Equity Fund or the Drinking Water Equity Fund under the Program Resolution, as more fully described in the Equity Allocation Certificate;

“Equity Allocation Certificate,” means the certificate of an Authorized Officer of the Trust pertaining to the Bonds delivered to the Program Trustee pursuant to Section 205 of the Program Resolution at or prior to the authentication and delivery of the Bonds, as the same may be amended from time to time in accordance with the Program Resolution;

“Equity Earnings” as used in the Bond Resolution means all or any part of the Net Earnings derived from the investment or deposit of Allocated Equity related to the Bonds held in the Leveraged Bond Fund and the Debt

Service Reserve Fund, and any other fund or account established under the Program Resolution or under the Bond Resolution, in each case to the extent provided in an Equity Allocation Certificate, and as used in the Program Resolution and any other bond resolution means with respect to any Loan or issue of Local Governmental Obligations all or any part of the Net Earnings derived from the investment or deposit of Allocated Equity held in the Leveraged Bond Fund and a debt service reserve fund, and any other fund or account established under the Program Resolution or under the related bond resolution, in each case to the extent provided in an Equity Allocation Certificate.

“Equity Requirement,” with respect to (i) the Title 5 Clean Water Bonds, as of any date of calculation, means an amount equal to at least 52.59% of the principal amount of the Title 5 Clean Water Bonds Outstanding, (ii) the Clean Water Bonds issued to fund Clean Water Obligations with terms of twenty years or less (other than the Title 5 Clean Water Bonds), as of any date of calculation, means an amount equal to at least 41.46% of the principal amount of such Clean Water Bonds Outstanding, (iii) the Clean Water Bonds issued to fund Clean Water Obligations with terms of more than twenty years, as of any date of calculation, means an amount equal to at least 40.71% of the principal amount of such Clean Water Bonds Outstanding and (iv) the Drinking Water Bonds, as of any date of calculation, means an amount equal to at least 35.03% of the principal amount of the Drinking Water Bonds Outstanding, all as set forth in the Equity Allocation Certificate.

“Event of Default” or “Default,” with respect to a Loan or any Interim Loan or any Local Governmental Obligations, shall have the meaning given such term in the related Financing Agreement and, with respect to the Bonds, shall have the meaning given such term in the Bond Resolution.

“Federal Capitalization Grant” means amounts provided to the Trust under one or more agreements between the Trust and the United States of America acting by and through the United States Environmental Protection Agency to be applied in accordance with the Clean Water Act or the Drinking Water Act, as applicable, to fund loans made or local governmental obligations purchased by the Trust.

“Federal Program Clean Water Loan” means a Federal Program Loan made under the Clean Water Program.

“Federal Program Loan” means any Loan or Interim Loan, as applicable, made to a Borrower under the Program (1) all of the proceeds of which are expected at the date of origination of such Loan or Interim Loan or the date of purchase of such Local Governmental Obligations, or on the date of authentication and delivery of the related series of Program Bonds if earlier (as set forth in the related bond resolution or as otherwise evidenced by a certificate of an authorized officer of the Trust delivered to the Program Trustee), to be applied by the Borrower directly or indirectly to finance or refinance Project Costs which are eligible for financing or refinancing with funds attributable to Federal Capitalization Grants and (2) which has not been designated by the Trust as a Commonwealth Program Loan.

“Fiduciary” means the Bond Trustee, any Paying Agent or any Authenticating Agent.

“Financing Agreement” means an agreement between the Trust and a Borrower pertaining to a Loan or any issue of Local Governmental Obligations and the making or purchase and repayment thereof, including, without limitation, any “loan agreement” (as defined in the Act) and any other trust agreement, trust indenture, security agreement, bond purchase agreement, reimbursement agreement, guarantee agreement, bond or note resolution, loan order or similar instrument, other than a Regulatory Agreement, pertaining to or securing such Loan or Local Governmental Obligations.

“Fiscal Year” means the period of twelve calendar months ending with June 30 of any year.

“Grant Agreement,” with respect to any Federal Capitalization Grants or Commonwealth Matching Grants, shall mean the agreements or other instruments, if any, under which such Federal Capitalization Grants or Commonwealth Matching Grants are provided to the Trust for purposes of the Program, including, without limitation, the Master Funding Agreement.

“Interest Payment Date” means February 1 and August 1 of each year commencing on the date provided in the Bond Resolution, any redemption date of any Bonds and any other date on which interest on the Bonds is required or permitted by the Bond Resolution to be paid.

“Interim Loan” means a temporary loan, whether or not interest bearing, provided by the Trust to a local governmental unit or other eligible borrower in accordance with a Financing Agreement for all or any part of the Cost of a Project in anticipation of a Leveraged Loan or the purchase of Local Governmental Obligations and funded by the Trust from amounts held in or for the account of the Interim Loan Fund under the Program Resolution.

“Investment Obligation” means any of the following which at the time are legal investments for moneys of the Trust:

(1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the full and timely payment of the principal and interest on which, by act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or any other evidences of a direct ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this Clause (1);

(2) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state: (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice; (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in Clause (1) hereof which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates hereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; (c) as to which the principal of and interest on the bonds and obligations of the character described in Clause (1) hereof which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this Clause (2) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this Clause (2), as appropriate; and (d) which bear the highest rating available from each Rating Agency;

(3) non-callable notes, bonds, debentures, mortgages and other evidences of indebtedness that, at the time acquired, are either issued or guaranteed by an instrumentality of the United States of America, including but not limited to the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association and the Federal Farm Credit System, and rated in the highest rating category of each Rating Agency;

(4) bonds, debentures, participation certificates (representing a full and timely guaranty of principal and interest), notes or similar evidences of indebtedness of any of the following: Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Federal Land Banks, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association, Export-Import Bank of the United States, Farmers Home Administration, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation, Government National Mortgage Association, Student Loan Marketing Association or Tennessee Valley Authority;

(5) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or temporary notes, preliminary notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(6) obligations of any state of the United States or of any political subdivision or public agency or instrumentality thereof, including the Commonwealth, provided that at the time of their purchase such obligations are rated no lower than the rating assigned to any outstanding Program Bonds or Bonds, as applicable, by each Rating Agency;

(7) direct obligations of, or obligations guaranteed by, the Commonwealth, provided that such obligations are rated by each Rating Agency at a level which will not adversely effect the ratings then assigned by such Rating Agency to any outstanding Program Bonds or Bonds, as applicable;

(8) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, having the highest rating available from each Rating Agency;

(9) interest bearing time deposits, certificates of deposit, banker's acceptances or other similar banking arrangements with banks (which may include the Program Trustee or the Bond Trustee), provided that such deposits either (a) are made with banks having at the time the deposit is made a rating from each Rating Agency no lower than the rating then assigned to any outstanding Program Bonds or Bonds, as applicable, by such Rating Agency; or (b) are fully collateralized and secured by such obligations and in such manner as will not adversely affect the credit ratings then assigned to any outstanding Program Bonds or Bonds, as applicable, by any Rating Agency;

(10) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, provided that such obligations have been rated by each Rating Agency at a level which will not adversely affect the ratings then assigned by such Rating Agency to any outstanding Program Bonds or Bonds, as applicable;

(11) participation units in a combined investment fund created under Section 38A of Chapter 29 of the General Laws of the Commonwealth the purchase of which will not adversely affect the ratings then assigned to any outstanding Program Bonds or Bonds, as applicable, by any Rating Agency;

(12) repurchase agreements for obligations of the type specified in Clauses (1) and (2) above, provided that either (a) the repurchase agreement is an unconditional obligation of the provider thereof and such provider is rated by each Rating Agency at a level which will not adversely affect the ratings then assigned by such Rating Agency to any outstanding Program Bonds or Bonds, as applicable, or (b) such repurchase agreements are fully collateralized and secured by such obligations and in such manner as will not adversely affect the credit ratings then assigned by any Rating Agency to any outstanding Program Bonds or Bonds, as applicable; and

(13) investment agreements with banks, bank holding companies, insurance companies or other financial institutions, or any other investment obligation or deposit, whether or not issued or incurred by any of the foregoing, provided that the purchase of such investment will not adversely affect the then current ratings, if any, assigned to any outstanding Program Bonds or Bonds, as applicable, by any Rating Agency;

provided that any requirement of the foregoing that an obligation be rated by each Rating Agency at a specified time shall not apply to a Rating Agency that has not assigned a rating to such obligation so long as a rating has been assigned to such obligation by at least Moody's Investors Service Inc. and Standard & Poor's; and provided further that the investments described in clause (3) above do not constitute Investment Obligations under the Program Resolution.

"Investment Obligor" means the issuer or other obligor on an Investment Obligation in which moneys held for the credit of any Fund or Account under the Bond Resolution have been invested or deposited in accordance therewith;

"Loan" means any loan or other form of financial assistance subject to repayment, whether or not interest bearing, provided by the Trust to a Borrower in accordance with a Financing Agreement for the purpose of financing or refinancing all or any part of the Cost of a Project, including any local governmental obligations (as defined in the Act) or other security evidencing or securing any such loan which (1) complies, at the time such financial assistance is provided by the Trust from amounts held under the Bond Resolution, with the provisions of the Act, the Program Resolution and the Bond Resolution, (2) is provided or made with proceeds of Bonds or other moneys held under the Bond Resolution, (3) is held under the Bond Resolution and (4) in the case of any such financial assistance bearing interest at other than a fixed rate, the provision or making of which will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency; except as otherwise expressly provided in the Bond Resolution, the term "Loan" as used in the Bond Resolution shall not include an Interim Loan or the purchase by the Trust of Local Governmental Obligations;

"Local Governmental Obligations" means local governmental obligations, whether or not interest bearing, purchased by the Trust from a Borrower, all of the proceeds of which are expected at the date of purchase of such local governmental obligations, or on the date of authentication and delivery of the related series of Program Bonds if earlier (as evidenced by a certificate of an Authorized Officer of the Trust delivered to the Program Trustee), to be applied by the Borrower directly or indirectly to finance or refinance Costs of a Clean Water Project which are

eligible for financing or refinancing with funds attributable to Federal Capitalization Grants, and which in the case of Borrower Obligations, (1) comply, at the time such obligations are purchased from amounts held under the Bond Resolution, with the provisions of the Act, the Program Resolution and the Bond Resolution, (2) are purchased with proceeds of Bonds or other moneys held under the Bond Resolution, (3) are held under the Bond Resolution and (4) in the case of any such obligations bearing interest at other than a fixed rate, the purchase of which will not adversely affect the ratings then assigned to any Bonds Outstanding by any Rating Agency.

“Net Earnings,” with respect to the investment or deposit of moneys held in any fund or account under the Bond Resolution or the Program Resolution, as applicable, for any period, means the aggregate earnings and gains less the aggregate losses from investment or deposit of such moneys during such period, less any transaction fees incurred in purchasing or selling such investments or making such deposits; if an investment is purchased at a premium above par, Net Earnings on such investment shall be deemed to be reduced by the straight-line amortization of the premium over the remaining term of such investment; if an investment is purchased at a discount below par, Net Earnings on such investment shall be deemed to include the amount received in excess of the discounted purchase price upon the maturity or redemption of such investment.

“Origination Fees” means any fees, other than Administrative Fees, payable by a Borrower in accordance with the applicable Financing Agreement in consideration of, or in payment or reimbursement for, costs incurred by the Trust in connection with the origination of Loans or the purchase of Local Governmental Obligations and the issuance of Bonds to fund the same and Administrative Expenses allocable to such Loans, Local Governmental Obligations and Bonds;

“Outstanding,” when used with reference to Bonds, means, as of any particular date, all Bonds theretofore and thereupon being authenticated and delivered except (1) any Bond canceled by the Bond Trustee, or proven to the satisfaction of the Bond Trustee to have been canceled by the Trust or by any other Fiduciary at or before said date, (2) except as otherwise provided in the Bond Resolution, any Bond for the payment or redemption of which moneys equal to the Principal Amount or Redemption Price thereof, as the case may be, with interest, if any, to the maturity or redemption date (or any alternate applicable date established pursuant to the Bond Resolution), shall have theretofore been deposited with the Bond Trustee in trust (whether upon or prior to maturity or the redemption date of such Bond) and, except in the case of a Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with the Bond Resolution, (3) any Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the Bond Resolution; and (4) any Bond deemed to have been paid as provided in the Bond Resolution.

“Paying Agent” means any paying agent for Bonds appointed by or pursuant to the Bond Resolution, and any successor or successors thereto appointed pursuant to the Bond Resolution.

“Payment Default” as the context requires, means (i) any failure by a Borrower to pay when due all or any part of any Borrower Payment due on a Loan or an issue of Local Governmental Obligations pursuant to the applicable Financing Agreement; or (ii) any failure by the Commonwealth to pay to the Trust when due all or any part of a Contract Assistance Payment pursuant to the Commonwealth Assistance Contract and the applicable Contract Assistance Determination; (iii) any failure by an Investment Obligor to pay to the Trust when due all or any part of the Net Earnings payable under any Investment Obligation; or (iv) any failure by the Trust to pay the principal (including mandatory sinking fund installments) of, and interest and premium, if any, on the Bonds when due.

“Principal Amount” means, as of any date of computation and with respect to any Bond, the stated principal amount thereof.

“Principal Installment” means, as of any particular date of computation, an amount of money equal to the aggregate of (1) the Principal Amount of Outstanding Bonds which mature on a future date, reduced by the aggregate Principal Amount of Outstanding Bonds which would at or before said future date be retired by reason of the payment when due and application in accordance herewith of Sinking Fund Installments payable at or before said future date for the retirement of the Outstanding Bonds plus (2) the amount of any Sinking Fund Installment payable on said future date for the retirement of the Outstanding Bonds.

“Program” means the Clean Water Program or the Drinking Water Program, as the context requires, and, collectively, means both said Programs.

“Program Trustee” means U.S. Bank National Association, as trustee under the Program Resolution.

“Project” means a Clean Water Project or a Drinking Water Project, as the context requires.

“Rating Agency” means a nationally recognized credit rating agency which has assigned and currently maintains a rating on any Outstanding Bonds or any Program Bonds, as applicable, at the request of the Trust, and any successor to any such agency by merger, conversion, consolidation or otherwise.

“Rebate Provision” means Section 148(f) of the Code and, to the extent applicable to the Bonds, Treasury Regulation Section 1.148-5(c).

“Rebate Requirement” means an amount equal to (i) the cumulative sum calculated and determined from time to time in accordance with the requirements of the Rebate Provision that must be paid to the United States pursuant to the Bond Resolution, less (ii) the aggregate amount of any payments made to the United States pursuant to the Rebate Provision in accordance with the Bond Resolution.

“Record Date” means, with respect to the payment of interest on a Bond, the fifteenth day of the month next preceding the date on which interest is to be paid on such Bond or, if such fifteenth day is not a Business Day, the next preceding Business Day.

“Redemption Price,” when used with respect to a Bond or portion thereof, means the Principal Amount of such Bond or portion thereof, plus the applicable premium, if any, payable upon redemption thereof.

“Regulatory Agreement” means an agreement between DEP and a Borrower pertaining to the acquisition, construction, operation and carrying out of a Project financed in whole or in part from the proceeds of a Loan or the purchase of Local Governmental Obligations.

“Representation Letter” means the letter from the Trust to the Bond Depository dated May 18, 1995.

“Revenues” means (1) all Borrower Payments, (2) all Net Earnings, including without limitation Equity Earnings, received or to be received on investment or deposit of moneys held pursuant to the Bond Resolution and paid or to be paid into the Revenue Fund, (3) all Contract Assistance Payments allocable to the Loans and Local Government Obligations financed or refinanced with proceeds of the Bonds pursuant to the applicable Contract Assistance Determination received or to be received by the Trust, and (4) any other receipts, fees, grants, appropriations, revenues and other payments received or to be received by the Trust and required by the terms of the Program Resolution or the Bond Resolution to be deposited in one or more of the Funds and Accounts maintained under or pursuant to the Bond Resolution.

“Supplemental Bond Resolution” means any resolution of the Trust amending or supplementing the Bond Resolution adopted and becoming effective in accordance with the terms of the Bond Resolution.

“Supplemental Program Resolution” means any resolution of the Trust amending or supplementing the Program Resolution adopted and becoming effective in accordance with the terms of the Program Resolution.

“Title 5 Clean Water Bonds” means, at any date of determination, those Clean Water Bonds the proceeds of which have been applied to fund Title 5 Loans, as set forth in the Equity Allocation Certificate, as it may be amended from time to time.

“Title 5 Loan” means any Federal Program Clean Water Loan made to a Borrower, all of the proceeds of which are expected on the date of origination thereof to be applied by the Borrower directly or indirectly to finance or refinance Costs of a Title 5 Project.

“Title 5 Project” means a community septic management loan program, constituting a Clean Water Project, to assist eligible homeowners to upgrade failing septic systems through underlying betterment agreements with such homeowners.



## SUMMARY OF CERTAIN BASIC DOCUMENTS

*The following are summaries of certain provisions of the Program Resolution, the Bond Resolution and the Financing Agreements. Such summaries do not purport to be complete and reference should be made to each of these documents individually for full and complete statements of such and all provisions therein.*

### SUMMARY OF CERTAIN PROVISIONS OF THE PROGRAM RESOLUTION

#### **Purpose For Program Resolution**

The Program Resolution has been adopted by the Trust in order to implement its Program of making Loans to, and purchasing Local Governmental Obligations from, Borrowers to finance Costs of Projects eligible for financial assistance under the Act, the regulations of DEP and the Federal Acts.

#### **Pledge**

There are pledged and assigned by the Program Resolution, solely to the extent and in the manner described below, (1) to the Program Trustee as security for payment of the SRF Bonds of all series outstanding, the Deficiency Fund and all amounts from time to time on deposit therein and available for the payment of SRF Bonds, (2) to the Program Trustee as security for the payment of the Pool SRF Bonds of all series outstanding, the Pool Program Reserve Fund and all amounts from time to time on deposit therein and available for the payment of Pool SRF Bonds, (3) to the Program Trustee as security for the payment of the SRF Bonds of all series outstanding payable directly or indirectly from Contract Assistance Payments allocable to such Bonds or to the Loans or Local Governmental Obligations funded by the same, the Commonwealth Assistance Contract, subject to the application of all Contract Assistance Payments thereunder as provided under the applicable Bond Resolution and to any lien or pledge of such Contract Assistance Payments created by or pursuant to such Bond Resolution; and (4) to the Program Trustee as security for the payment of each Loan or issue of Local Governmental Obligations, or the Bonds issued to make or purchase the same, all amounts allocable to and available for the payment of such Loan or issue of Local Governmental Obligations or Bonds from time to time on deposit in the Leveraged Bond Fund.

The provisions of the Program Resolution constitute a contract among the Trust, the Program Trustee and the owners from time to time of the SRF Bonds. Except as otherwise expressly provided in the Program Resolution or in the applicable bond resolution, the pledge made in the Program Resolution and the provisions, covenants and agreements set forth therein to be performed by or on behalf of the Trust shall be for the equal benefit, protection and security of the owners of any and all of the SRF Bonds, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any SRF Bonds over any other thereof.

Except as expressly provided in the applicable bond resolution, the SRF Bonds of each series shall be special obligations of the Trust secured solely as provided in the Program Resolution and in the related bond resolution and payable solely from the funds, amounts and other property available and pledged for such payments pursuant to the Program Resolution and in the related bond resolution. Neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the SRF Bonds and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision shall be pledged to their payment.

#### **Conditions Precedent to Securing SRF Bonds under Program Resolution**

The pledge and assignment made for the benefit of the owners of a series of SRF Bonds shall not be effective with respect to such series unless prior to or simultaneously with the delivery of such series of SRF Bonds the Trust shall deliver to the Program Trustee, among other things, (1) an original executed

counterpart of an Equity Allocation Certificate (a) stating that such series of SRF Bonds is entitled to the pledge and assignment made in the Program Resolution, (b) directing the Program Trustee as to the creation of any funds, accounts or subaccounts to be established for such series of SRF Bonds, (c) directing the Program Trustee as to the amount, sources and the manner that, as well as the type of project for which, any Equity to be allocated to such series of SRF Bonds or to the Loans to be made, or Local Governmental Obligations to be purchased, with the proceeds of such series of SRF Bonds is to be deposited in the Leveraged Bond Fund and to transfer such Equity to the applicable bond trustee for deposit in the related debt service reserve fund and the timing of such deposits and transfers, (d) describing the extent to which and the manner in which the sources of Equity allocated to such series of SRF Bonds or to such Loans or Local Governmental Obligations may be revised during the term of the Loans or Local Governmental Obligations, (e) directing the Program Trustee as to the application of any Equity Earnings, and (f) setting forth the manner and extent that the amount of Allocated Equity may be reduced during the term of such series of SRF Bonds or to such Loan or Local Governmental Obligations, and (2) if such series of SRF Bonds are Pool SRF Bonds and if the Series Equity Requirement for such series of Pool SRF Bonds is less than the series Equity Requirement for any other series of Pool SRF Bonds outstanding, (i) a certificate of the Trust to the effect that it has notified each Rating Agency of the proposed issuance of such series of Pool SRF Bonds and has furnished each Rating Agency with a copy of the related bond resolution, accompanied by (ii) a letter from each Rating Agency (or other evidence satisfactory to the Program Trustee) confirming that the reduction in the Series Equity Requirement for such series of Pool SRF Bonds will not by itself cause such Rating Agency to lower, suspend, remove or otherwise modify adversely the credit ratings then assigned by it to any outstanding Pool SRF Bonds.

Upon the issuance of any series of SRF Bonds, the Trust must deliver a certificate to the Program Trustee setting forth (1) the principal and interest payable on such series of SRF Bonds on each principal and interest payment date thereof, and (2) the Revenues which are expected to be received and available for the payment of such principal and interest, including, as applicable, a schedule of Borrower Payments, Contract Assistance Payments and Equity Earnings allocable to such series of SRF Bonds, and demonstrating that such Revenues are expected to be at least sufficient in amount and time of receipt to pay such principal and interest when due.

#### **Establishment of Funds and Accounts and Subaccounts**

In addition to a Direct Loan Fund and an Interim Loan Fund to account for the proceeds of Direct Loans and Interim Loans made by the Trust and the Borrower Payments thereon, a Contract Assistance Fund to account for Contract Assistance Payments not currently allocated to Loans or Local Governmental Obligations, and an Administrative Expense Fund to account for the Trust's expenses of administering the Program, the Program Resolution creates a Clean Water Equity Fund and a Drinking Water Equity Fund, a Leveraged Bond Fund, a Deficiency Fund and a Pool Program Reserve Fund. In order to properly segregate Equity allocable to each program, a separate Clean Water Deficiency Account and a Drinking Water Deficiency Account are established in the Deficiency Fund, a separate Clean Water Leveraged Bond Account and Drinking Water Leveraged Bond Account are established in the Leveraged Bond Fund, a separate Clean Water Pool Program Reserve Account and Drinking Water Pool Program Reserve Account are established in the Pool Program Reserve Fund and a separate Clean Water Program Account and Drinking Water Program Account are established in the Interim Loan Fund. In addition, a separate Federal Program Account and Commonwealth Program Account are established within the Clean Water Equity Fund, and a separate Federal Program Subaccount and Commonwealth Program Subaccount are established within the Clean Water Deficiency Account in the Deficiency Fund, within the Clean Water Leveraged Bond Account in the Leveraged Bond Fund and within the Clean Water Program Account in the Interim Loan Fund.

Except as expressly authorized or permitted under the Program Resolution or otherwise by the Clean Water Act or the Drinking Water Act, as applicable, (i) no amounts held or deposited in any of the funds, accounts or subaccounts established under the Program Resolution to fund or secure Clean Water Loans (other than Commonwealth Program Loans) or Local Governmental Obligations, or Interim Loans made in anticipation thereof, shall be applied to fund or secure any Drinking Water Loan or any Commonwealth Program Loan, or any Interim Loan made in anticipation thereof, or to secure any SRF

Bonds issued to fund any Drinking Water Loan or Commonwealth Program Loan or any fund or account or subaccount allocable thereto under the Program Resolution or any bond resolution, and (ii) no amount held or deposited in any of the funds, accounts or subaccounts established under the Program Resolution to fund or secure Drinking Water Loans, or Interim Loans made in anticipation thereof, shall be applied to fund or secure any Clean Water Loan or the purchase of Local Governmental Obligations, or any Interim Loan made in anticipation thereof, or to secure any SRF Bonds issued to fund any Clean Water Loan or the purchase of any Local Governmental Obligations or any fund or account or subaccount allocable thereto under the Program Resolution or any bond resolution.

### **Allocation of Equity**

The Trust shall allocate Equity to each series of SRF Bonds, or to each Loan or issue of Local Governmental Obligations funded thereby, in the amount or amounts set forth in the related Equity Allocation Certificate, provided that the Allocated Equity for each series of SRF Bonds or each Loan or issue of Local Governmental Obligations shall be in an aggregate amount not less than the Equity Requirement calculated with respect to the principal amount of such series of SRF Bonds or Loan or Local Governmental Obligations from time to time outstanding and unpaid. Each Equity Allocation Certificate shall identify the amount of Allocated Equity for the applicable series of SRF Bonds or Loan or Local Governmental Obligations and the sources thereof, which sources may be derived from (1) funds previously drawn by the Trust from any Federal Capitalization Grant or Commonwealth Matching Grant, (2) Borrower Payments, Net Earnings or other Revenues, amounts transferred to the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable, from the Deficiency Fund in accordance with the Program Resolution or any other source, provided such funds have been received in cash and are held in trust as security for payment of such series of SRF Bonds or Loan or Local Governmental Obligation on the date of delivery of such certificate, and (3) funds to be made available to the Trust from Federal Capitalization Grants or Commonwealth Matching Grants or otherwise by the Commonwealth, which funds have not been received by the Trust, provided that among other things, such Grants have been awarded to and accepted by the Trust.

Each Equity Allocation Certificate pertaining to a series of SRF Bonds or to a Loan or an issue of Local Governmental Obligations shall set forth the Equity Requirement therefor and shall direct the Program Trustee and related bond trustee to make deposits and transfers, and to the extent necessary, shall allocate amounts received or to be received by the Trust from Federal Capitalization Grants or Commonwealth Matching Grants or other sources identified in such certificate, all in a manner and on a schedule sufficient to provide that, throughout the term of such series of SRF Bonds or Loan or Local Governmental Obligations, the sum of the Equity allocable to such series of SRF Bonds or such Loan or Local Governmental Obligations (1) on deposit in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, in the Leveraged Bond Fund, (2) on deposit in the related debt service reserve fund or account and (3) allocated to such series of SRF Bonds or such Loan or Local Governmental Obligations but not yet received and applied in accordance with such Equity Allocation Certificate, shall at all times be at least equal to the Equity Requirement for such series of SRF Bonds or such Loan or Local Governmental Obligations, less any unreimbursed amounts of Allocated Equity applied in accordance with the Program Resolution and the applicable bond resolution to pay debt service on such SRF Bonds upon the occurrence of a Payment Default.

The Trust agrees and covenants to do and perform or cause to be done and performed all acts and things reasonably required and within its control to obtain and make available to the Program Trustee the full amount of the Allocated Equity as set forth in any Equity Allocation Certificate at the times and in the manner provided in such certificate; provided however, that the Trust's obligation to do so shall be limited by its power to obtain such amounts from the designated sources of such Equity. The Trust agrees and covenants to exercise or to cause to be exercised any right within its control to draw and receive Federal Capitalization Grants and Commonwealth Matching Grants or other sources of Equity upon a Payment Default to the extent that such amounts constitute a portion of the related Allocated Equity and are required in order to prevent or cure such Payment Default.

## **Equity Funds**

The Program Resolution provides that the Program Trustee shall deposit in the Federal Program Account in the Clean Water Equity Fund and shall deposit in the Drinking Water Equity Fund, among other amounts, (a) all applicable Federal Capitalization Grants and Commonwealth Matching Grants and amounts drawn thereon; (b) any other amounts paid to the Trust (or paid to the Commonwealth and appropriated to the Trust) representing financial assistance provided pursuant to the applicable Federal Act or by the Commonwealth for purposes of deposit in the Clean Water Revolving Fund or the Drinking Water Revolving Fund, as applicable; (c) all Net Earnings on investment or deposit of amounts held in the Federal Program Account in the Clean Water Equity Fund or in the Drinking Water Equity Fund, as applicable; and (d) all amounts transferred to the Federal Program Account in the Clean Water Equity Fund from the Federal Program Subaccount within the Clean Water Deficiency Account in the Deficiency Fund or to the Drinking Water Equity Fund from the Drinking Water Deficiency Account in the Deficiency Fund, as applicable, in accordance with the Program Resolution.

In addition to the application of amounts in the Clean Water Equity Fund and in the Drinking Water Equity Fund to fund Direct Loans and Interim Loans made by the Trust, the Program Resolution directs the Program Trustee to apply amounts in the Federal Program Account in the Clean Water Equity Fund and to apply amounts in the Drinking Water Equity Fund as provided in the applicable Equity Allocation Certificate (a) for deposit in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, in the Leveraged Bond Fund for each Loan or issue of Local Governmental Obligations, amounts in the aggregate equal to the Allocated Equity for such Loan or Local Governmental Obligations, or for the series of SRF Bonds issued to fund such Loan or Local Governmental Obligations, but solely to the extent amounts equal to such Allocated Equity are available in the Clean Water Equity Fund or Drinking Water Equity Fund, as applicable; and (b) subject to the applicable bond resolution, to a bond trustee upon its written request, for deposit in the debt service fund for the related series of SRF Bonds issued to fund any Loan or purchase of Local Governmental Obligations, amounts in the aggregate equal to the Allocated Equity for such series of SRF Bonds or Loan or Local Governmental Obligations and certified by the bond trustee as necessary due to a Payment Default allocable to such Loan or Local Governmental Obligations or Bonds to make a debt service payment on such SRF Bonds, but solely to the extent amounts equal to such Allocated Equity are available in the Federal Program Account in the Clean Water Equity Fund or in the Drinking Water Equity Fund, as applicable, or may be drawn from Federal Capitalization Grants or Commonwealth Matching Grants held for the credit of such Account or Fund in accordance with the applicable Equity Allocation Certificate.

## **Leveraged Bond Fund**

The Program Trustee shall deposit in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, in the Leveraged Bond Fund, among other amounts, (a) any amount transferred from the Federal Program Account in the Clean Water Equity Fund or from the Drinking Water Equity Fund, as applicable, for deposit therein pursuant to the Program Resolution; (b) any amounts made available by the Trust or a bond trustee as reimbursement for amounts transferred to the bond trustee from such Leveraged Bond Account upon a Payment Default; and (c) to the extent provided in the applicable Equity Allocation Certificate, Net Earnings on investment or deposit of moneys held in the Leveraged Bond Account.

Upon the written direction of the Trust, the Program Trustee shall transfer from the Federal Program Subaccount within the Clean Water Leveraged Bond Account or from the Drinking Water Leveraged Bond Account, as applicable, in the Leveraged Bond Fund, (a) to the related bond trustee for deposit in the appropriate account in the debt service reserve fund or account for the related series of SRF Bonds, the amounts certified in such written direction as necessary to fund such account in the debt service reserve fund or account; (b) except as otherwise provided in the Program Resolution, to the Federal Program Account in the Clean Water Equity Fund or to the Drinking Water Equity Fund, as applicable, or the related bond trustee all Equity Earnings on investment or deposit of moneys held in such Leveraged Bond Account; and (c) to a related bond trustee for deposit in the debt service fund for a related series of

SRF Bonds, the amounts, if any, certified by the bond trustee as necessary upon the occurrence of a Payment Default allocable to such series of SRF Bonds to make a debt service payment on such series of SRF Bonds.

In making any transfer described in clause (a) or (c) above due to a deficiency attributable to a Payment Default allocable to any Clean Water Loan or the purchase of any Local Governmental Obligations, amounts, if any, in the Federal Program Subaccount in the Clean Water Leveraged Bond Account shall be applied to such purpose before any amounts in the Drinking Water Leveraged Bond Account are so applied and, in making any such transfers due to a deficiency attributable to a Payment Default allocable to any Drinking Water Loan, amounts in the Drinking Water Leveraged Bond Account shall be applied to such purpose before any amounts in the Clean Water Leveraged Bond Account are so applied.

### **Pool Program Reserve Fund**

The Program Trustee shall deposit in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, in the Pool Program Reserve Fund, among other things, (a) any amounts allocable to Loans or Local Governmental Obligations funded by Pool SRF Bonds which are allocable to Clean Water Projects or Drinking Water Projects, as applicable, or allocable to Pool SRF Bonds issued to fund such Loans or Local Governmental Obligations, that have been transferred to the Program Trustee by a pool bond trustee, which amounts have been released from the lien of the related pool bond resolution, and (b) except as otherwise provided in any Supplemental Program Resolution or any Equity Allocation Certificate, all Net Earnings on investment or deposit of moneys held in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable.

The Program Trustee shall transfer to the Federal Program Subaccount in the Clean Water Deficiency Account or to the Drinking Water Deficiency Account, as applicable, in the Deficiency Fund any amount deposited in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, respectively, on the same Business Day such amount is deposited in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account; provided, however, that before making such transfer the Program Trustee, to the extent necessary, shall make the following transfers or reduce the amount of any such transfer in the following amounts as applicable:

FIRST, if any pool bond trustee has certified to the Program Trustee on or prior to such date that a deficiency exists in the debt service fund under the related pool bond resolution, after application to such deficiency of all amounts available in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, all amounts available in the Federal Program Account within the Clean Water Equity Fund or in the Drinking Water Equity Fund, as applicable, in accordance with the Program Resolution and all amounts in the appropriate account in any Equity-funded debt service reserve fund and all other funds and accounts under the related pool bond resolution available to pay debt service on the related series of Pool SRF Bonds, the Program Trustee shall transfer the amount of such deficiency from the appropriate account in the Pool Program Reserve Fund as hereinafter provided (or the balance in the Pool Program Reserve Fund if the aggregate amount therein is less than such aggregate deficiency) to the applicable pool bond trustee for deposit in the debt service fund under the related pool bond resolution;

provided that if, as of such date, more than one pool bond trustee has certified to the Program Trustee that a deficiency exists in a debt service fund under the related pool bond resolution, then the amount to be transferred pursuant to clause FIRST above shall be apportioned among each certifying pool bond trustee,

in the same proportion to the total amount so transferred as the deficiency certified by such pool bond trustee bears to the total deficiency certified by all pool bond trustees.

SECOND, if any pool bond trustee has certified to the Program Trustee on or prior to such date that a deficiency exists in an account in a debt service reserve fund (including the 2004 Debt Service Reserve Fund) under the related pool bond resolution, after credit for any amounts held for the credit of such account under the related pool bond resolution, the Program Trustee shall retain in the appropriate account in the Pool Program Reserve Fund as hereinafter provided a sum equal to the aggregate of the deficiencies so certified in all such accounts in all debt service reserve funds (or the balance in the Pool Program Reserve Fund if the aggregate amount therein is less than such aggregate deficiency).

In making any such transfers or retentions due to a deficiency attributable to a Payment Default allocable to Pool SRF Bonds issued to fund any Clean Water Loan or the purchase of any Local Governmental Obligations, amounts, if any, in the Clean Water Pool Program Reserve Account in the Pool Program Reserve Fund shall be applied to such purpose before any amounts in the Drinking Water Pool Program Reserve Account are so applied and, in making any such transfers or retentions due to a deficiency attributable to a Payment Default allocable to Pool SRF Bonds issued to fund any Drinking Water Loan, amounts in the Drinking Water Pool Program Reserve Account in the Pool Program Reserve Fund shall be applied to such purpose before any amounts in the Clean Water Pool Program Reserve Account are so applied.

Immediately succeeding any transfer of funds to a pool bond trustee pursuant to clause FIRST above, the Program Trustee shall confirm with each certifying pool bond trustee the outstanding balance, if any, due but unpaid on the applicable series of Pool SRF Bonds after such transfer. Any amount thereafter received by the Program Trustee which is attributable to the Loans or Local Governmental Obligations funded by Pool SRF Bonds or Pool SRF Bonds on account of which any such transfer shall have been made shall be deposited in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, only after first reimbursing either such Account for any inter-account transfer made on account of such Loans or Local Governmental Obligations funded by Pool SRF Bonds or Pool SRF Bonds as provided above.

When the Program Trustee shall have received notice from a pool bond trustee that any deficiency described in clause SECOND has been cured, the Program Trustee shall withdraw from the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, an amount equal to the amount theretofore retained in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account on account of such deficiency pursuant to said clause SECOND, and, after first reimbursing any account within the Pool Program Reserve Fund for any inter-account transfer made on account of such deficiency as provided above, shall deposit such amount in the Federal Program Subaccount in the Clean Water Deficiency Account or in the Drinking Water Deficiency Account in the Deficiency Fund, as applicable; provided that prior to any such withdrawal from the Pool Program Reserve Fund the Program Trustee shall first apply the amount available for withdrawal as provided in clause FIRST and SECOND above on account of any other deficiency in a debt service fund or a debt service reserve fund under any pool bond resolution not then or theretofore satisfied from amounts available in the Pool Program Reserve Fund.

### **Deficiency Fund**

The Program Trustee shall deposit in the Federal Program Subaccount within the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, as applicable, in the Deficiency Fund, among other amounts, (a) any amounts allocable to Loans and Local Governmental Obligations (other than Loans or Local Governmental Obligations funded by Pool SRF Bonds), or allocable to SRF Bonds issued to fund such Loans and Local Governmental Obligations (other than Pool SRF Bonds), that have been

transferred to the Program Trustee by a bond trustee, which amounts have been released from the lien of the related bond resolution; (b) amounts transferred from the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, for deposit in the Federal Program Subaccount within the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, respectively, in the Deficiency Fund pursuant to the Program Resolution; (c) to the extent provided in the applicable Equity Allocation Certificates for such Loans, all Borrower Payments and other amounts allocable to all Direct Loans funded under the applicable Federal Program received by the Program Trustee; and (d), except as otherwise provided in any Supplemental Program Resolution or any Equity Allocation Certificate, all Net Earnings on investment or deposit of amounts held in the Federal Program Subaccount within the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, as applicable.

The Program Trustee shall transfer to the Federal Program Account in the Clean Water Equity Fund or to the Drinking Water Equity Fund, as applicable, any amount deposited in the Federal Program Subaccount within the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, respectively, in the Deficiency Fund, on the same business day such amount is deposited in the applicable account or subaccount in the Deficiency Fund; provided, however, that before making such transfer the Program Trustee, to the extent necessary, shall make the following transfers or reduce the amount of such transfer in the following amounts as applicable:

FIRST, if any bond trustee has certified to the Program Trustee on or prior to such date that a deficiency exists in the debt service fund under the related bond resolution, after application to such deficiency of all amounts available in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, in the Leveraged Bond Fund, all amounts available in the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable, and, in the case of Pool SRF Bonds, in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, in the Pool Program Reserve Fund in accordance with the Program Resolution and all amounts in the appropriate account in any Equity-funded debt service reserve fund and all other funds and accounts under the related bond resolution in each case available to pay debt service on the related series of SRF Bonds, the Program Trustee shall transfer the amount of such deficiency from the appropriate account in the Deficiency Fund as hereinafter provided (or the balance in the Deficiency Fund if the aggregate amount therein is less than such aggregate deficiency) to the applicable bond trustee for deposit in the debt service fund under the related bond resolution;

provided that if, as of such date, more than one bond trustee has certified to the Program Trustee that a deficiency exists in a debt service fund, then the amount to be transferred pursuant to clause FIRST above shall be apportioned among each certifying bond trustee, in the same proportion to the total amount so transferred as the deficiency certified by such bond trustee bears to the total deficiency certified by all bond trustees.

SECOND, if any bond trustee has certified to the Program Trustee on or prior to such date that a deficiency exists in an account in the debt service reserve fund (including the 2004 Debt Service Reserve Fund) under the related bond resolution, after credit for any amounts held for the credit of such fund in any other fund or account under the related bond resolution or, in the case of Pool SRF Bonds, in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, in the Pool Program Reserve Fund, the Program Trustee shall retain in the appropriate account in the Deficiency Fund as hereinafter provided a sum equal to the aggregate

of the deficiencies so certified in all debt service reserve funds (or the balance in the Deficiency Fund if the amount therein is less than such aggregate deficiency);

In making any such transfers or retentions due to a deficiency attributable to a Payment Default allocable to SRF Bonds issued to fund any Federal Program Clean Water Loans or the purchase of any Local Governmental Obligations, amounts, if any, in the Federal Program Subaccount in the Clean Water Deficiency Account shall be applied to such purpose before any amounts in the Drinking Water Deficiency Account are so applied, and no amounts in the Commonwealth Program Subaccount in the Clean Water Deficiency Account shall be applied to such purpose. In making any such transfers or retentions due to a deficiency attributable to a Payment Default allocable to SRF Bonds issued to fund any Drinking Water Loan, amounts, if any, in the Drinking Water Deficiency Account shall be applied to such purpose before any amounts in the Federal Program Subaccount in the Clean Water Deficiency Account are so applied, and no amounts in the Commonwealth Program Subaccount in the Clean Water Deficiency Account shall be applied to such purpose. In making any such transfers or retentions due to a deficiency attributable to a Payment Default allocable to SRF Bonds issued to fund any Commonwealth Program Loan, no amounts on deposit in the Federal Program Subaccount in the Clean Water Deficiency Account or in the Drinking Water Deficiency Account shall be applied to such purpose.

Immediately succeeding any transfer of funds to a bond trustee pursuant to clause FIRST above, the Program Trustee shall confirm with each certifying bond trustee the outstanding balance, if any, due but unpaid on the applicable series of SRF Bonds after such transfer. Any amount thereafter deposited in the Deficiency Fund by the Program Trustee which is attributable to the Loan or Local Governmental Obligations or SRF Bonds on account of which any such transfer shall have been made shall be deposited in the Federal Program Subaccount in the Clean Water Deficiency Account or in the Commonwealth Program Subaccount in the Clean Water Deficiency Account or in the Drinking Water Deficiency Account, as applicable, only after first reimbursing any such account or subaccount for any inter-account transfer made on account of such Loans or Local Governmental Obligations as provided above.

When the Program Trustee shall have received notice from any bond trustee that a deficiency described in the above clause SECOND has been cured, the Program Trustee shall withdraw from the applicable account or subaccount in the Deficiency Fund an amount equal to the amount theretofore retained in the applicable account or subaccount in the Deficiency Fund on account of such deficiency pursuant to said clause SECOND, and, after reimbursing any account or subaccount therein for any inter-account transfer made on account of such deficiency as provided above, shall deposit such amount in the appropriate account in the Clean Water Equity Fund or in the Drinking Water Equity Fund, as applicable; provided that prior to any such withdrawal from the Deficiency Fund the Program Trustee shall first apply the amount available for withdrawal as provided in clause FIRST and SECOND above on account of any other deficiency in a debt service fund or a debt service reserve fund not then or theretofore satisfied from amounts available in the Deficiency Fund.

### **Investments and Deposits**

Moneys held for the credit of any fund or account or subaccount under the Program Resolution shall, to the fullest extent practicable, be invested by the Program Trustee at the written direction of an authorized officer of the Trust, either alone or jointly with moneys in any other fund or account or subaccount under the Program Resolution or under any bond resolution in Investment Obligations which shall mature or be redeemable at the option of the owner thereof on such dates and in such amounts as may be necessary to provide moneys to meet the payments from such funds and accounts and subaccounts; provided that if moneys in two or more funds or accounts or subaccounts are commingled for purposes of investment, the Program Trustee shall maintain appropriate records of the Investment Obligations or portions thereof held for the credit of each such fund or account or subaccount.



## **Tax Covenants**

The Trust shall not use or permit the use of any moneys held under the Program Resolution or any other funds of the Trust, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Trust or the Program Trustee with respect to such moneys or funds in any manner, and shall not otherwise take or permit to be taken any other action or actions, which would cause any Program Bond the interest on which is excludable from gross income for federal income tax purposes under Section 103 of the Code to be an “arbitrage bond” within the meaning of Section 148 of the Code or, to the extent applicable, which would cause any such Program Bond to violate any of the restrictions contained in Section 141 through Section 150 of the Code.

The Trust shall take all lawful action necessary to ensure that interest on all SRF Bonds that is excludable from gross income for federal income tax purposes will remain so excludable and shall not use or permit the use of any moneys held under the Program Resolution or any other funds of the Trust, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would cause the interest on such SRF Bonds to become includable in gross income for federal income tax purposes.

## **Supplemental Program Resolutions Effective Without Bondholder Consent**

At any time or from time to time a resolution of the Trust supplementing the Program Resolution may be adopted by the Trust without the prior approval of the owners of any SRF Bonds to, among other purposes, add to the covenants or agreements of the Trust in the Program Resolution or add to the limitations or restrictions to be observed by the Trust; surrender any right, power or privilege reserved to or conferred upon the Trust by the Program Resolution; confirm any pledge created by the Program Resolution of the moneys, funds and other property pledged thereby; establish one or more additional funds, accounts or subaccounts or to subject additional moneys, rights or property to the provisions of the Program Resolution; cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Program Resolution; insert any provisions, not contrary to or inconsistent with the Program Resolution, clarifying matters or questions arising under the Program Resolution; and insert, repeal or amend any provision in the Program Resolution, provided such insertion, deletion or amendment is permitted by the applicable Federal Act and the Act and will not adversely affect the ratings then assigned to any SRF Bonds outstanding by any Rating Agency.

## **Supplemental Program Resolutions Effective With Consent of Bondowners**

At any time or from time to time, a resolution of the Trust amending or supplementing the Program Resolution may be adopted modifying any of the provisions of the Program Resolution or releasing the Trust from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained, provided such resolution is consented to by the owners of at least sixty percent (60%) in aggregate principal amount of the SRF Bonds of each series outstanding adversely affected thereby. If such modification or amendment will, by its terms, not take effect so long as any SRF Bonds of similar tenor of any specified series, maturity and interest rate remain outstanding, the consent of the bondowners shall not be required and such SRF Bonds shall not be deemed to be outstanding for the purpose of any calculation of outstanding SRF Bonds under the Program Resolution.

## **Remedies**

Upon the happening and continuance of any Default under the Program Resolution, the Program Trustee may proceed, and upon the written request of any bond trustee shall proceed, in its own name, to protect and enforce its rights and the rights of the bond trustees and the bondowners under the Program Resolution by such actions or suits, at law or in equity, as may appear to the Program Trustee, being advised by counsel, as necessary or desirable to protect or exercise its rights under the Program Resolution and to enforce the obligations of the Trust set forth in the Program Resolution and the Act.

## **Termination**

If at any time there are no SRF Bonds outstanding under a particular bond resolution and provision shall also be made for paying the Program Trustee's fees and expenses with respect to such SRF Bonds, then the Program Trustee, in such case, on demand of the Trust, shall release the lien of the Program Resolution with respect to such SRF Bonds and shall execute such documents as may be reasonably required by the Trust to evidence such release. In the case of a release in respect of all SRF Bonds outstanding under all bond resolutions, the Trust may at any time thereafter elect to terminate the Program Resolution and in the event of such termination the Program Trustee shall turn over to the State Treasurer any balances remaining in all funds, accounts and subaccounts under the Program Resolution to be used for any purposes allowed pursuant to the applicable Federal Act and the Act.

## **SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION**

### **Bond Resolution to Constitute Contract**

The Bond Resolution constitutes a contract among the Trust, the Bond Trustee and the Bondowners. The pledge made in the Bond Resolution and the provisions, covenants and agreements therein are for the equal benefit, protection and security of the Bondowners, all of which, regardless of the times of issue or maturity, rank equally without preference, priority or distinction of any Bond over another except as expressly provided in or permitted by the Bond Resolution.

### **Pledge of the Bond Resolution**

The Bonds are special obligations of the Trust. As security for the payment of the Bonds, the Trust pledges and grants a security interest in (1) all Revenues, (2) all rights and interests of the Trust in and to all Loans and all Local Governmental Obligations held under the Bond Resolution and all rights and interests of the Trust under the Financing Agreements therefor (with the exception of its rights of indemnification and reimbursement payments or administrative fees and origination fees) and the proceeds thereof, (3) all rights and interests of the Trust under all Revenue producing contracts (other than the Master Funding Agreement or any other Grant Agreement and except as provided in the following paragraph, the Commonwealth Assistance Contract) and the proceeds thereof, and (4) all moneys and securities in all funds and accounts created by or pursuant to the Bond Resolution (except the Rebate Fund), whether any of the foregoing is now existing or is hereafter acquired, subject only to the provisions of the Bond Resolution permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth in the Bond Resolution.

In addition to the foregoing, as provided in the Program Resolution, the payment of the Bonds shall be further secured by a pledge and assignment of (1) the Pool Program Reserve Fund and all amounts from time to time on deposit therein and available therein for the payment of the Bonds, (2) the Deficiency Fund (other than the Commonwealth Program Subaccount within the Clean Water Deficiency Account) and all amounts from time to time on deposit therein and available therein for the payment of the Bonds, (3) the Federal Program Subaccount within the Clean Water Leveraged Bond Account in the Leveraged Bond Fund and the Drinking Water Leveraged Bond Account in the Leveraged Bond Fund established under or pursuant to the Program Resolution and all amounts from time to time on deposit therein and available for the payment of the Bonds, in each case to the extent and in the manner provided in the Bond Resolution and in the Program Resolution, and (4) the Commonwealth Assistance Contract, subject to the application of all Contract Assistance Payments thereunder as provided in the Bond Resolution and in the Contract Assistance Determination and to the lien on and pledge of such Contract Assistance Payments created by the Bond Resolution.

### **Establishment of Funds and Accounts**

The Bond Resolution establishes or authorizes the establishment of the following Funds and Accounts to be held by the Bond Trustee separate and apart from all other moneys and funds of the Trust:

- (1) Project Fund
  - Project Accounts
- (2) Revenue Fund
- (3) Debt Service Fund
- (4) Redemption Fund
- (5) Debt Service Reserve Fund
  - Clean Water Debt Service Reserve Account
  - Drinking Water Debt Service Reserve Account
- (6) Rebate Fund

In addition, the Trust may by Supplemental Bond Resolution or by certificate of an authorized officer delivered to the Bond Trustee create one or more other funds, accounts or sub-accounts.

### **Application of Project Fund**

Upon the issuance, sale and delivery of the Bonds, the Bond Trustee shall establish a separate Project Account within the Project Fund for each Project the Costs of which are to be financed or refinanced from the Loans or Local Governmental Obligations. A Project Account shall be used solely for the payment or reimbursement of Costs of the applicable Project to which such Account relates or the refinancing of such Costs as provided in the Bond Resolution.

When all Costs of a Project to be paid from a particular Project Account have been so paid, any amount remaining unexpended in the Project Account shall be either (1) applied to the prepayment of the applicable Loan or issue of Local Governmental Obligations and transferred by the Bond Trustee to either (i) the Redemption Fund or (ii) one or more other Project Accounts to be applied to Costs of other Projects (subject to the provisions in the following paragraph) to the extent permitted under the Clean Water Act or the Drinking Water Act, as applicable, and DEP's regulations, or (2) applied as a credit against any Borrower Payments then or thereafter due under the applicable Financing Agreement and transferred by the Bond Trustee to the Revenue Fund or the Debt Service Fund (as directed by the Trust), or (3) any combination of the foregoing.

Notwithstanding the provisions of the preceding paragraph, no moneys remaining in a Project Account established for a Clean Water Project upon final disbursement therefrom for Costs of the applicable Project shall be transferred by the Bond Trustee to a Project Account established for a Drinking Water Project, and no moneys remaining in a Project Account established for a Drinking Water Project upon final disbursement therefrom for Costs of the applicable Project shall be transferred by the Bond Trustee to a Project Account established for a Clean Water Project, unless in each case, simultaneously with such transfers: (i) the Trust amends the Equity Allocation Certificate to reflect such transfers, including but not limited to, amendments to reflect the resulting changes to the portions of the Bonds that constitute Clean Water Bonds and Drinking Water Bonds; and (ii) the Bond Trustee and the Program Trustee, pursuant to instructions included in the written direction of an authorized officer of the Trust required by the preceding paragraph shall include instructions to the Bond Trustee and the Program Trustee to withdraw Equity from the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, with respect to the Project for which unexpended moneys are being so transferred and deposit such Equity in the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable, and withdraw Equity from the Clean Water Equity Fund or the Drinking Water Equity Fund, as applicable, and deposit such Equity in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, with respect to the Project to which the unexpended moneys are being transferred, in each case in accordance with the Program Resolution and the amended Equity Allocation Certificate, until the amount on deposit in the Clean Water Debt Service Reserve Account equals the Clean Water Debt Service Reserve Account Requirement and the amount on deposit in the Drinking Water Debt Service Reserve Account equals the Drinking Water Debt Service Reserve Account Requirement after such transfers.

Notwithstanding anything under this heading to the contrary, the Bond Trustee shall transfer from any Project Account designated by the Trust to the Debt Service Fund any amounts necessary for the payment of any Borrower Payments due and unpaid on the related Loan or Local Governmental

Obligations or any other outstanding Loan or Local Governmental Obligations to the same Borrower to the extent that at such time no moneys are available therefor in any other funds and accounts established under the Bond Resolution or under the applicable Financing Agreement.

### **Revenues and Revenue Fund**

Except as otherwise provided in the Bond Resolution, all Revenues, including without limitation all Borrower Payments, will promptly upon receipt by the Trust be deposited in the Revenue Fund. The Bond Trustee shall also deposit in the Revenue Fund any amounts directed to be so deposited or transferred to such Fund under any provision of the Bond Resolution and shall hold for the account of the Revenue Fund all Loans made and Local Governmental Obligations purchased in accordance with the Bond Resolution.

On or before each Interest Payment Date for the Bonds, the Bond Trustee shall apply the balance on deposit in the Revenue Fund as follows and in the following order of priority:

(1) To the Debt Service Fund, the amount necessary so that the balance therein equals the sum of (a) all interest due or to become due on such Interest Payment Date on the Bonds outstanding; and (b) all Principal Installments due or to become due on such Interest Payment Date on the Bonds outstanding;

(2) To the Rebate Fund, the amount necessary so that the amount therein equals the Rebate Requirement, if any, as most recently calculated in accordance with the Bond Resolution;

(3) To the Program Trustee, for deposit in the Federal Program Subaccount within the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, within the Leveraged Bond Fund to reimburse either the Clean Water Revolving Fund or the Drinking Water Revolving Fund, as applicable, in the amount of any draws from either such Account or Subaccount theretofore made as provided in the Program Resolution due to a Payment Default, but only to the extent of Revenues received and deposited in the Revenue Fund in satisfaction of such Payment Default;

(4) To the Program Trustee, for deposit in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, within the Pool Program Reserve Fund to reimburse either the Clean Water Revolving Fund or the Drinking Water Revolving Fund, as applicable, in the amount of any payments from the applicable Account made as provided in the Program Resolution due to a Payment Default, but only to the extent of Revenues received and deposited in the Revenue Fund in satisfaction of such Payment Default;

(5) To the Program Trustee, for deposit in the Federal Program Subaccount within the Clean Water Deficiency Account, or the Drinking Water Deficiency Account, as applicable, within the Deficiency Fund to reimburse either the Clean Water Revolving Fund or the Drinking Water Revolving Fund, as applicable, in the amount of any payments from either such Account or Subaccount made as provided in the Program Resolution due to a Payment Default, but only to the extent of Revenues received and deposited in the Revenue Fund in satisfaction of such Payment Default;

(6) To the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, within the Debt Service Reserve Fund, to the extent and in the amount of any draws on the applicable Account theretofore made as provided in the Bond Resolution due to a Payment Default but only to the extent of Revenues received and deposited in the Revenue Fund under the Bond Resolution in satisfaction of such Payment Default;

(7) To the Redemption Fund, as directed by an authorized officer of the Trust, all or any portion of the remaining balance in the Revenue Fund; and

(8) To or upon the order of the Trust, all or any portion of the remaining balance in the Revenue Fund as requested in writing by the Trust, but only upon receipt by the Bond Trustee of a Trust certificate to the effect that following such payment expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all required deposits, if any, into all Funds and Accounts established and maintained under the Bond Resolution.

### **Application of Debt Service Fund**

The Bond Trustee will pay out of the Debt Service Fund to the Paying Agent on or before each Interest Payment Date on the Bonds the amount required for the interest and Principal Installments payable on such date.

Notwithstanding anything in the Bond Resolution to the contrary, by 1:00 p.m. on any day which is two (2) Business Days prior to any Interest Payment Date for any outstanding Bonds, the Bond Trustee shall promptly notify the Trust and the Program Trustee as to any portion of the Principal Installments or interest on the Bonds then due that will not be paid or that will be paid from amounts on deposit in the Debt Service Reserve Fund in accordance with the Bond Resolution, in either case due to a Payment Default. To the extent amounts are not available in the Debt Service Reserve Fund, for such purpose, such notice shall include a request for immediate transfer to the Bond Trustee of all or part of the Allocated Equity attributable to the related Clean Water Bonds or Drinking Water Bonds on deposit in the Leveraged Bond Fund in accordance with the Program Resolution, and amounts allocable to such Clean Water Bonds or Drinking Water Bonds available to be drawn from Federal Capitalization Grants and Commonwealth Matching Grants or otherwise pursuant to any Grant Agreement that have not yet been deposited in the Federal Program Subaccount with the Clean Water Leveraged Bond Account or in the Drinking Water Leveraged Bond Account, as applicable, or in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, and which will be required to pay the Principal Installments or interest on the Bonds. To the extent that the deficiency resulting from the Payment Default is expected to exceed the full amount of Allocated Equity for the Bonds, such notice shall indicate whether the deficiency is related to the Clean Water Bonds or the Drinking Water Bonds and shall include a request for amounts from the Pool Program Reserve Fund. To the extent that the deficiency resulting from the Payment Default is expected to exceed both the full amount of Allocated Equity for the Bonds and the available amounts in the Pool Program Reserve Fund, such notice shall include a request for amounts from the Deficiency Fund. After the giving of such notice and until any deficiency in the Debt Service Reserve Fund shall have been cured, the Bond Trustee shall notify the Program Trustee of any remaining deficit in the Debt Service Reserve Fund (i) immediately succeeding the receipt and deposit of any Revenues in the Debt Service Reserve Fund in satisfaction of all or a portion of the Payment Default, (ii) from time to time when there is a change in the amount of the deficit in the Debt Service Reserve Fund, and (iii) when any such related deficiency in the Debt Service Reserve Fund shall have been cured.

### **Application of Redemption Fund**

If at any time there are insufficient amounts in the Debt Service Fund and the Revenue Fund to pay the Principal Installments and interest on the Bonds then due, the Bond Trustee shall withdraw from the Redemption Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency (other than from moneys held therein for the payment of the Redemption Price of and interest on Bonds for which the required notice of redemption shall have already been given).

Except as provided above, all moneys transferred to the Redemption Fund shall be applied to the purchase or redemption of Bonds including the payment of any premium payable upon redemption thereof.

### **Application of Debt Service Reserve Fund**

The Bond Trustee shall promptly deposit in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, the following receipts: (i) all Allocated Equity attributable to the Loans and Local Governmental Obligations; (ii) any amounts transferred to the

Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable, to reimburse such Clean Water Debt Service Reserve Account or Drinking Water Debt Service Reserve Account for transfers to the Debt Service Fund to provide for payment of Principal Installments of and interest on the Bonds due to a Payment Default; and (iii) any other amounts made available by the Trust for deposit in the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account, as applicable.

The Bond Trustee shall make the following transfers and payments from the Debt Service Reserve Fund:

(1) Except as otherwise provided in the Equity Allocation Certificate, all Net Earnings derived from the investment or deposit of moneys in the Debt Service Reserve Fund shall be transferred by the Bond Trustee to the Revenue Fund;

(2) If on any Interest Payment Date for any Bonds Outstanding the amounts on deposit and available in the Debt Service Fund, the Revenue Fund and the Redemption Fund are insufficient to pay all Principal Installments and interest on the Bonds then payable, the Bond Trustee, not later than 1:00 p.m. on such Interest Payment Date, shall withdraw from the Debt Service Reserve Fund (or the balance in the Debt Service Reserve Fund if the aggregate amount therein is less than such deficiency) as directed by the Trust pursuant to the Bond Resolution and deposit in the Debt Service Fund the amount of such deficiency. Notwithstanding anything in the Bond Resolution to the contrary, in making any such transfers due to a deficiency resulting from a Payment Default attributable to the Clean Water Bonds, amounts, if any, in the Clean Water Debt Service Reserve Account in the Debt Service Reserve Fund shall be applied to such purpose before any amounts in the Drinking Water Debt Service Reserve Account are so applied and, in making any such transfers or retentions due to a deficiency resulting from a Payment Default attributable to the Drinking Water Bonds, amounts in the Drinking Water Debt Service Reserve Account in the Debt Service Reserve Fund shall be applied to such purpose before any amounts in the Clean Water Debt Service Reserve Account are so applied; and

(3) Upon the written direction of the Trust on the Business Day on which a Principal Installment on the Bonds is due and paid or duly provided for in accordance with the terms of the Bonds, the Bond Trustee shall transfer to the Program Trustee for deposit in the Clean Water Pool Program Reserve Account or the Drinking Water Pool Program Reserve Account, as applicable, within the Pool Program Reserve Fund from the Clean Water Debt Service Reserve Account and the Drinking Water Debt Service Reserve Account, as applicable, an amount such that the aggregate amount remaining in the Clean Water Debt Service Reserve Account and the Drinking Water Debt Service Reserve Account (together with the amounts on deposit in the Clean Water Leveraged Bond Account or the Drinking Water Leveraged Bond Account, as applicable, within the Leveraged Bond Fund and the amount, if any, available to be drawn from Federal Capitalization Grants, Commonwealth Matching Grants or otherwise pursuant to any Grant Agreement and allocated as Equity for the Clean Water Bonds or the Drinking Water Bonds held under the Bond Resolution in accordance with the applicable Equity Allocation Certificate) shall be equal to the Clean Water Debt Service Reserve Account Requirement and the Drinking Water Debt Service Reserve Account Requirement calculated on such Business Day.

As long as no Event of Default shall have occurred and be continuing, the Bond Trustee shall be entitled to rely without inquiry on a certificate of an Authorized Officer of the Trust as to the proper amounts to be deposited in or withdrawn from the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account as required by the Bond Resolution. The Trust shall furnish the Bond Trustee with such a certificate prior to each time the Bond Trustee is required or directed to deposit amounts in or withdraw amounts from the Clean Water Debt Service Reserve Account or the Drinking Water Debt Service Reserve Account. The Bond Trustee shall retain copies of such certificates while any of the Bonds remain outstanding.

## **Rebate Fund**

Amounts deposited in the Rebate Fund shall be applied by the Trust to pay to the United States any amount required to be so paid in order that the Bonds shall comply with the Rebate Provision. The Trust further covenants to pay such amount to the United States whether or not the amount on deposit in the Rebate Fund and available therefor is sufficient for such payment and to establish such accounting procedures as are required to determine the amount, if any, so payable.

In the event that, at the time of any required payment from the Rebate Fund, the amount in the Rebate Fund available for such payment shall be insufficient to make such payment (after deposit therein of any amounts provided in the Program Resolution), the Trust shall pay the amount of the deficiency from any moneys available to the Trust not pledged under the Bond Resolution or the Program Resolution to the Bonds.

## **Investments and Deposits**

Except as otherwise provided in the Bond Resolution, moneys held for the credit of any Fund or Account under the Bond Resolution will be invested by the Bond Trustee at the direction of an authorized officer in Investment Obligations which mature or are redeemable at the option of the owner thereof on such dates and in such amounts as may be necessary to provide moneys to meet the payments from such Funds and Accounts. Notwithstanding any provision of the Bond Resolution to the contrary, no moneys on deposit in the Debt Service Reserve Fund will be invested in any Investment Obligation the purchase of which would (at the time of such purchase) adversely affect the ratings then assigned by any Rating Agency to any Bonds outstanding.

In computing the amount in any Fund or Account held by the Bond Trustee under the provisions of the Bond Resolution, Investment Obligations shall be valued at par if purchased at par or at amortized value if purchased at other than par. Valuation on any particular date shall include the amount of interest then earned or accrued to such date on any Investment Obligations. Except as otherwise provided in the Bond Resolution or in the Equity Allocation Certificate, Net Earnings derived from the investment or deposit of moneys in any Fund or Account will be credited to the Revenue Fund.

## **Covenant as to Pledge**

The Loans, Local Governmental Obligations, Revenues and other property pledged under the Bond Resolution are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Bond Resolution except to the extent expressly permitted by the Bond Resolution. Nothing under this heading shall be deemed to limit the right of the Trust, and the Trust expressly retains the right, to create a pledge, lien or other charge on the Loans, Local Governmental Obligations, Revenues and other property pledged under the Bond Resolution junior and subordinate to the pledge and lien created thereby, so long as any such pledge, lien or other charge shall not adversely affect the ratings then assigned to any outstanding Bonds by any Rating Agency.

## **Issuance of Additional Obligations**

Except as set forth under the heading "Covenant as to Pledge," the Trust shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by an equal or prior charge and lien on the Revenues, Loans, Local Governmental Obligations, and other property pledged under the Bond Resolution or which will be payable from any of the Funds or Accounts established and created by or pursuant to the Bond Resolution prior to the payment or provision for payment of the Bonds, except that the Bonds may be refunded in whole or in part, and such refunding bonds may be issued on a parity with the Bonds and secured by an equal charge and lien on the Revenues, Loans, Local Governmental Obligations, and other property pledged under the Bond Resolution and shall be payable equally and ratably from the Funds or Accounts established and created pursuant to the Bond Resolution.

The Trust expressly reserves the right to adopt one or more other bond resolutions and reserves the right to issue other obligations (including obligations secured on a junior or subordinate lien basis) so long as the same are not a charge or lien prohibited by the foregoing paragraph.

#### **Covenants as to Loans and Local Governmental Obligations, Contract Assistance Payments and Equity Earnings**

No Loan will be made by the Trust from the proceeds of Bonds or other moneys available therefor under the Bond Resolution, and no Local Governmental Obligations shall be acquired under the Bond Resolution, and no Bonds shall be issued by the Trust for the purpose of providing funds with which to make Loans or to purchase Local Governmental Obligations, unless (1) the Loans and Local Governmental Obligations shall comply with the terms, conditions, provisions and limitations of the Act, the Clean Water Act or the Drinking Water Act, as applicable, any applicable Grant Agreement and the provisions set forth under this heading, (2) the Projects to be financed or refinanced by such Loans or Local Governmental Obligations shall have been approved by DEP in accordance with the Act and DEP's regulations and (3) the Loans or Local Governmental Obligations shall have been approved by the Trust.

Except as otherwise permitted by the Bond Resolution, the Loans and Local Governmental Obligations purchased with the proceeds of the Bonds shall have scheduled Borrower Payments thereon which, together with Contract Assistance Payments and Equity Earnings shall result in aggregate Revenues under the Bond Resolution which together with all other moneys and other Revenues reasonably anticipated to be available therefore to pay the Principal Installments of and interest on the Bonds, shall be at least sufficient in aggregate amount and in time of receipt to pay in the current and each subsequent Fiscal Year all Aggregate Debt Service when due.

The Trust shall do all such acts and things necessary to receive and collect Borrower Payments and other Revenues as may be consistent with sound banking practices and principles and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Trust for the enforcement of all terms, covenants and conditions of Loans, Local Governmental Obligations and the applicable Financing Agreements therefore, and all terms, covenants and agreements of the Commonwealth Assistance Contract and all Investment Obligations including the prompt payment of all Borrower Payments and all other Revenues due the Trust thereunder. The Trust shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Trust and of the Bondowners under or with respect to each Loan, Local Governmental Obligation and all Financing Agreements therefore, and the Commonwealth Assistance Contract and all Investment Obligations, provided that, subject to the terms of the applicable Financing Agreement and the rights of DEP thereunder and under the applicable Regulatory Agreement, the Trust shall have the power and authority to settle a Payment Default on any Loan or Local Governmental Obligation or under the Commonwealth Assistance Contract or any Investment Obligation on such terms as the Trust shall determine to be in the best interests of the Trust and the Bondowners and to forbear from taking action with respect to enforcement of a Loan or Local Governmental Obligation or any Financing Agreement therefore, or under the Commonwealth Assistance Contract or any Investment Obligation if it determines such forbearance to be in the best interests of the Trust and the Bondowners.

Whenever it shall be necessary in order to protect and enforce the rights of the Trust under a Loan or Local Governmental Obligation, the Commonwealth Assistance Contract or any Investment Obligation and to protect and enforce the rights and interest of Bondowners under the Bond Resolution, the Trust shall take or cause to be taken steps to enforce the applicable Financing Agreement, the Commonwealth Assistance Contract or such Investment Obligation and to enforce any lien or security interest or other right created by such Loan or Local Governmental Obligation or under the applicable Financing Agreement, Commonwealth Assistance Contract or such Investment Obligation or otherwise available to the Trust under the Act, including without limitation the exercise of the rights with respect to local aid distributions payable by the Commonwealth to a Borrower or any member or other service recipient thereof or any parent governmental unit of any member or other service recipient thereof.

Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreement, the Trust may sell, assign, transfer or otherwise dispose of any Loan or



Local Governmental Obligation or any participation or other interest therein which is in default or delinquent in the payment of Borrower Payments thereon if the Trust determines that such action is in the best interests of the Trust and Bondowners and will result in a greater availability of Revenues to pay Aggregate Debt Service when due and administrative expenses than would be the case if such Loan or Local Governmental Obligation is not sold, assigned, transferred or otherwise disposed of, in which case such Loan or Local Governmental Obligation may be so disposed of by the Trust free and clear of the pledge of the Bond Resolution.

Subject to the provisions of the Clean Water Act or the Drinking Water Act, as applicable, and the applicable Financing Agreement, the Trust may sell, assign, transfer or otherwise dispose of any Loan or Local Governmental Obligation or any participation or other interest therein which is not in default or delinquent in the payment of Borrower Payments thereon, or transfer any such Loan or Local Governmental Obligation to itself free and clear of the pledge of the Bond Resolution, in either case at such price as the Trust shall determine, provided that not less than ten (10) Business Days prior to any such disposition or transfer the Trust files with the Bond Trustee a certificate of an authorized officer showing that following such disposition or transfer anticipated Revenues available to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due will not be less than the amount of Revenues and other moneys anticipated to be available for such purpose if such Loan or Local Governmental Obligation is not so disposed of or transferred. Unless otherwise directed by certificate of an authorized officer of the Trust (including without limitation any Equity Allocation Certificate), the proceeds, if any, of sale, transfer or other disposition of any Loan or Local Governmental Obligation which is not in default or delinquent in the payment of Borrower Payments thereon shall be deposited in the Revenue Fund.

The Trust may consent or agree to or permit amendment or modification of any Loan or Local Governmental Obligation, and the related Financing Agreement therefore, including amendments and modifications made in connection with settlement of any delinquency or Payment Default thereon, which the Trust determines to be in the best interests of the Trust and the Bondholders; provided, (i) such Loan or Local Governmental Obligation, as so amended or modified, continues to satisfy the requirements of the Bond Resolution for a Loan or Local Governmental Obligation which the Trust may make or purchase and hold thereunder and (ii) the Trust determines that such amendment or modification will not have a material adverse impact, taking into account the reasonable expectations with respect to such Loan or Local Governmental Obligation immediately prior to such amendment or modification, on the Trust's ability to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due.

The Trust may consent or agree to or permit amendment or modification of the Commonwealth Assistance Contract or any Investment Obligation which the Trust determines to be in the best interests of the Trust and the Bondholders; provided that no such amendment or modification shall be effective until the Trust files with the Bond Trustee a certificate of an Authorized Officer showing that following such amendment or modification anticipated Revenues available to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due will not be less than the amount of Revenues anticipated to be available for such purpose if the Commonwealth Assistance Contract or such Investment Obligation is not so amended or modified.

#### **Tax Covenants**

The Trust shall not use or permit the use of any proceeds of Bonds or any other funds of the Trust, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the Trust or the Fiduciaries with respect to the Revenues, Loans or Local Governmental Obligation in any manner, and shall not otherwise take or permit to be taken any other action or actions, which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or, to the extent applicable, which would cause any Bond to violate any of the restrictions contained in Section 141 through Section 150 the Code.

The Trust shall take all lawful action necessary to ensure that interest on the Bonds will remain excludable from gross income for federal income tax purposes and shall not use or permit the use of any proceeds of Bonds or any other funds of the Trust, directly or indirectly, in any manner, and shall not take

or permit to be taken any other action or actions, which would cause the interest on the Bonds to become includable in gross income for federal income tax purposes.

### **Accounts and Reports**

The Trust shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Program and all funds and accounts established by or pursuant to the Bond Resolution, which shall at all reasonable times be subject to the inspection of the Bond Trustee, any Borrower and the Owners of not less than 5% in aggregate principal amount of Bonds then outstanding or their representatives duly authorized in writing.

The Trust shall annually file with the Bond Trustee, and otherwise as provided by law, a copy of an annual report for such year (the "Annual Report"), and shall annually, within 120 days after the close of each Fiscal Year, file with the Bond Trustee, and otherwise as provided by law, financial statements relating to the Program containing the report thereon of an independent public accountant or firm of accountants acceptable to the Bond Trustee (the "Annual Program Audit"). The Annual Program Audit shall include the following statements relating to the Bonds in reasonable detail: (a) the receipts and expenditures for the Program during such Fiscal Year in accordance with the categories or classifications established by the Trust for its operating and capital outlay purposes; (b) assets and liabilities at the end of such Fiscal Year, including a schedule of Loans, Local Governmental Obligations and the status of reserve, special or other funds and the funds and accounts established by the Bond Resolution; and (c) a schedule of Bonds outstanding at the end of such Fiscal Year, together with a statement of the amounts paid, redeemed and issued during such Fiscal Year. A copy of each Annual Report shall be mailed by the Trust to each Bondowner who shall have filed his name and address with the Trust for such purpose.

As long as no Event of Default shall have occurred and be continuing, the Bond Trustee shall be entitled to rely without inquiry on a certificate of an Authorized Officer of the Trust as to the proper amounts to be deposited in or withdrawn from the Debt Service Fund, the Leveraged Bond Fund, the Pool Program Reserve Fund, the Deficiency Fund or the Debt Service Reserve Fund as required by the Bond Resolution. The Trust shall furnish the Bond Trustee with such a certificate prior to each time the Bond Trustee is required or directed to deposit amounts in or withdraw amounts from the Debt Service Fund, the Leveraged Bond Fund, the Pool Program Reserve Fund, the Deficiency Fund or the Debt Service Reserve Fund. The Bond Trustee shall retain copies of such certificates while any of the Bonds remain outstanding.

### **Supplemental Bond Resolutions**

Any of the provisions of the Bond Resolution may be amended by the Trust with the written consent of the Owners of at least 60% in the aggregate principal amount of the outstanding Bonds at the time such consent is given. No such modification or amendment may permit a change in the terms of redemption or maturity of any outstanding Bonds or of any installment of interest thereon or a reduction in the Principal Amount or the Redemption Price thereof or the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Bond Trustee of its written assent thereto.

The Trust may adopt (without the consent of any Bondowners but with the consent of the Bond Trustee) Supplemental Bond Resolutions (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution; (2) to insert any provisions, not contrary to or inconsistent with the Bond Resolution as theretofore in effect, clarifying matters or questions arising under the Bond Resolution; (3) to insert or amend any provision in the Bond Resolution required to comply with the Clean Water Act or the Drinking Water Act, as applicable, or necessary to maintain the exclusion from federal income taxes of interest on any Bonds outstanding to which such exclusion applies and which will not adversely affect the ratings then assigned to any Bonds outstanding by any Rating Agency; and (4) to insert, repeal or amend any provision in the Bond Resolution, provided such insertion, deletion or amendment is permitted by the Clean Water Act or the Drinking Water Act, as applicable, and the Act and will not adversely affect the ratings then assigned to any Bonds outstanding by any Rating Agency.

## **Events of Default**

Events of Default specified in the Bond Resolution include:

(1) failure to pay the Principal Amount or redemption price of or interest on any Bond when due;

(2) failure for 30 days after written notice thereof in the performance or observance of any other of the covenants, agreements or conditions specified in the Bond Resolution; provided that if such default cannot be remedied within such 30 day period, it shall not constitute an Event of Default under the Bond Resolution if corrective action is instituted by or on behalf of the Trust within such period and diligently pursued until the default is remedied;

(3) if an order, judgment or decree is entered by a court of competent jurisdiction (a) appointing a receiver, trustee, or liquidator for the Trust or the whole or any substantial part of its assets, (b) granting relief in involuntary proceedings with respect to the Trust under the Federal bankruptcy act, or (c) assuming custody or control of the Trust or of the whole or any substantial part of its assets under the provisions of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within 60 days from the date of entry of the order, judgment or decree; or

(4) if the Trust (a) admits in writing its inability to pay its debts or the interest thereon generally as they become due, (b) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (c) makes an assignment for the benefit of its creditors, (d) consents to the appointment of a receiver of the whole or any substantial part of its assets, or (e) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the Trust or of the whole or any substantial part of its assets.

## **Remedies**

Upon the happening and continuance of any Event of Default, the Bond Trustee in its own name may proceed, and upon the written request of the Owners of not less than 25% in aggregate Principal Amount of the Outstanding Bonds, must proceed, to protect and enforce its rights and the rights of the Bondowners by such suits, actions or proceedings as the Bond Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights, including, for defaults other than a default in the performance of covenants, by declaring the principal amount of all Bonds then outstanding and the interest accrued thereon due and payable immediately; provided that the principal amount of the Bonds shall not be declared due and payable as aforesaid unless simultaneously with such declaration the unpaid principal amount of all Loans and Local Governmental Obligations outstanding, and the interest thereon, is similarly declared due and payable.

## **Application of Revenues and Other Moneys After Default**

If an Event of Default (other than a covenant default) happens and is not remedied, the Trust upon demand of the Bond Trustee will pay over to the Bond Trustee upon receipt thereof all Revenues and other moneys pledged under the Bond Resolution. Unless otherwise directed by a court, all such Revenues and other moneys and any other moneys received or collected by the Bond Trustee will be applied as provided in the Bond Resolution.

## **Restriction on Bondowner's Action**

No Owner of any Bond shall have any right to institute any suit, action or proceeding for the enforcement of any provision of the Bond Resolution or for any other remedy thereunder, unless (a) such Owner previously shall have given to the Trust and the Bond Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (b) the Owners of not less than

twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding shall have duly requested in writing that the Bond Trustee institute such suit, action or proceeding (c) the Bond Trustee shall have refused or neglected to comply with such request within a reasonable time, and (d) such suit, action or proceeding is brought for the ratable benefit of all Owners of all Bonds subject to the provisions of the Bond Resolution.

### **Removal of Bond Trustee**

The Bond Trustee, or any successor thereof, may be removed at any time by the Owners of a majority in aggregate Principal Amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Trust, by an instrument or concurrent instruments in writing signed and duly acknowledged by such Bondowners or by their attorneys duly authorized in writing and delivered to the Trust. The Trust may remove the Bond Trustee at any time, except during the existence of an Event of Default.

### **Defeasance**

If the Trustee pays the principal amount and interest, and redemption price, if any, to become due on all outstanding Bonds and pays or provides for the payment of all fees and expenses of the Trustee and paying agents, then the pledge of Revenues, Loans, Local Governmental Obligations, or other property pledged by the Bond Resolution and all other rights granted by the Bond Resolution will be discharged and satisfied. All outstanding Bonds will, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning of the foregoing sentence if, among other things, there have been deposited with the Bond Trustee either moneys in an amount which shall be sufficient, or Investment Obligations (of the type described in clauses (1), (2) or (3) of the definition of Investment Obligations in Appendix A) the principal of and interest on which when due will provide moneys which will be sufficient, to pay when due the principal amount or redemption price, if applicable, of and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be.

## **SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS**

### **The Loans or Local Governmental Obligations**

Under the terms and conditions of the Financing Agreement between the Trust and each Borrower, the Trust agrees to either make a Loan to, or to purchase Local Governmental Obligations from, the Borrower, and the Borrower agrees to make Borrower Payments at the times and in the amounts set forth in the Financing Agreement.

### **Payments**

All Borrower Payments under the Financing Agreement shall be applied, first, to the interest, if any, on the Loan or Local Governmental Obligations then due and payable, and second, to the principal amount of the Loans or Local Governmental Obligations then due and payable. On or prior to each Payment Date, the Borrower will pay to the Bond Trustee for the account of the Trust, by wire transfer to such account or otherwise in such manner as the Trust may from time to time designate to the Borrower, the Borrower Payments then due on the Loans or Local Governmental Obligations.

### **Prepayment of Loans or Local Governmental Obligations**

The Loans or Local Governmental Obligations are subject to prepayment at the option of the Borrower on terms substantially similar to the optional redemption provisions applicable to the corresponding Bonds. If the Borrower elects to prepay all or any portion of its Loans or Local Governmental Obligations which are then subject to prepayment under the applicable Financing Agreement, the Borrower will promptly pay over to the Trust amounts sufficient to pay a prepayment price equal to (i) the principal amount so prepaid, plus (ii) an amount equal to all costs of the Trust incurred in connection with any corresponding

redemption of Bonds allocable to the principal of the Loans or Local Governmental Obligations so prepaid (including without limitation redemption premium, if any, interest payable on the Bonds to the date or dates of such redemption that is not provided for by earnings on investment or deposit of the amount prepaid from the prepayment date to the redemption date or dates of such Bonds, trustee's fees and expenses and reasonable attorney's fees).

### **Disbursement of Proceeds of the Loans or Local Governmental Obligations**

The Trust will establish a Project Account within the Project Fund under the Bond Resolution for each Project financed or refinanced by the Loans or Local Governmental Obligations. Amounts deposited in the Project Account shall be applied by the Trust to the payment or reimbursement of Costs of the related Project as provided in the Financing Agreement, in the related Regulatory Agreement and in the Bond Resolution. Only amounts on deposit in a Project Account representing proceeds of Bonds or other moneys of the Trust deposited therein as provided in the Financing Agreement and the Bond Resolution will be available to pay Project Costs.

Upon receipt by the Trust of a disbursement completion certificate provided in the applicable Regulatory Agreement, any balance remaining on deposit in the Project Account not then payable to or for the account of the Borrower in accordance with the disbursement completion certificate will be applied at the direction of the Borrower with the prior approval of the Trust to (i) additional Costs of the applicable Project upon amendment of the definition thereof approved by DEP, or (ii) the prepayment of Loans or Local Governmental Obligations as provided in the Financing Agreement.

### **Tax Covenants**

So long as any Bonds shall be outstanding and unpaid, the Borrower agrees that it shall not take, or permit to be taken, any action or actions that would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or a "private activity bond" within the meaning of Section 141(a) of the Code or that would cause any Bond to be "federally guaranteed" within the meaning of Section 149(b) of the Code, or that would otherwise cause any amounts payable with respect to the Bonds to become included in gross income for federal income tax purposes; the Borrower further agrees that it shall take all actions, and shall maintain all records and accounts, required by any provision of applicable law, necessary to comply with, or necessary to permit the Trust to comply with, the provisions of Section 148(f) of the Code.

### **Defaults and Remedies**

Failure of the Borrower to pay when due all or any part of any Borrower Payment payable under the Financing Agreement shall be and shall constitute an immediate Event of Default under the Financing Agreement and the related Loans or Local Governmental Obligations. Failure of the Borrower to perform and observe any other covenant, agreement or condition on its part provided in the Financing Agreement or in the related Loans or Local Governmental Obligations shall constitute an Event of Default if not cured within a period of thirty days after written notice thereof.

Upon the occurrence of any Event of Default under the Financing Agreement, the Trust shall have, in addition to the remedies set forth in the Financing Agreement, all other remedies permitted by law including the right to seek compliance by the Borrower with the terms and provisions of the Financing Agreement and the related Loans or Local Governmental Obligations by suit or suits in equity or at law, for the specific performance of any covenant, term or condition of the Financing Agreement, or in the aid of the execution of any power granted in the Financing Agreement, and may exercise any other right or remedy upon such default as may be granted to the Trust under the Act, the applicable Bond Act or under any other applicable provision of law.

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## APPENDIX C

### Pool SRF Bonds - Borrowers

The following table sets forth the borrowers under the Pool SRF Bonds program, the amounts of the loans outstanding as of October 3, 2005, the loans to be funded with the Pool 11 Bonds, the total amount of loans that will be outstanding with respect to each borrower upon the issuance of the Pool 11 Bonds and the percentage that each borrower will represent of the Pool SRF Bonds program. These numbers do not include loans funded by Pool 1 Bonds issued under the Trust's Commonwealth Program. Upon the issuance of the Pool 11 Bonds, \$1,686.1 million of the total loans will be allocable to the Clean Water Federal Program and \$464.9 million of the total loans will be allocable to the Drinking Water Federal Program. \$3.5 million of the loans issued under the Drinking Water Federal Program were issued by private, for-profit owners.

#### Pool SRF Bonds Program

<u>Borrowers</u>	<u>Existing Loans</u>	<u>Pool 11 Loans</u>	<u>Total</u>	<u>Percentage of Pool SRF Bonds Program</u>
Abington	\$2,384,173	\$380,167	\$2,764,340	0.13%
Acton	22,262,963	232,394	22,495,357	1.05
Acushnet	70,658	3,896,917	3,967,575	0.18
Adams	2,816,129		2,816,129	0.13
Agawam	2,346,397		2,346,397	0.11
Amesbury	11,103,217		11,103,217	0.52
Amherst	73,655		73,655	0.00
Aquarion	3,101,976		3,101,976	0.14
Ashburnham	6,698,294		6,698,294	0.31
Ashfield Water District	494,694		494,694	0.02
Ashland	8,985,847		8,985,847	0.42
Athol	1,935,954		1,935,954	0.09
Attleboro	25,932,802	16,000,000	41,932,802	1.95
Avon	1,810,696	54,000	1,864,696	0.09
Ayer	259,133		259,133	0.01
Barnstable	12,287,896	2,350,000	14,637,896	0.68
Barre	120,746		120,746	0.01
Belchertown	13,225,108		13,225,108	0.61
Bellingham	712,006	300,000	1,012,006	0.05
Belmont	44,305		44,305	0.00
Berlin	140,754		140,754	0.01
Bernardston	75,149		75,149	0.00
Beverly	592,114		592,114	0.03
Billerica	29,536,360		29,536,360	1.37
Blackstone	58,626		58,626	0.00
Boston (City of)	10,053,954		10,053,954	0.47
Boston Water Sewer Commission	15,940,670		15,940,670	0.74
Bourne	595,619	200,000	795,619	0.04
Boxford	184,442		184,442	0.01
Boylston	121,899		121,899	0.01
Brewster	331,531		331,531	0.02
Bridgewater	429,802	400,000	829,802	0.04
Brockton	20,856,306	25,366,500	46,222,806	2.15
Brookfield	108,066		108,066	0.01
Buckland	635,500		635,500	0.03
Cambridge	25,724,861		25,724,861	1.20
Carver	133,205		133,205	0.01

<u>Borrowers</u>	<u>Existing Loans</u>	<u>Pool 11 Loans</u>	<u>Total</u>	<u>Percentage of Pool SRF Bonds Program</u>
Charles River Pollution Control District	10,549,871		10,549,871	0.49
Charlton	15,445,534		15,445,534	0.72
Chatham	323,702	50,000	373,702	0.02
Chelmsford	24,528,178	10,352,982	34,881,160	1.62
Chelmsford Water District	4,729,584	304,781	5,034,365	0.23
Cherry Valley Water District	1,097,066		1,097,066	0.05
Chesterfield	490,429		490,429	0.02
Chicopee	6,629,986	3,282,111	9,912,097	0.46
Clarksburg	305,500		305,500	0.01
Clinton	3,956,841	7,249,403	11,206,244	0.52
Cohasset	16,845,591		16,845,591	0.78
Colrain	47,554		47,554	0.00
Concord	173,384	4,190,000	4,363,384	0.20
Conway	30,233		30,233	0.00
Danvers	442,875		442,875	0.02
Dartmouth	15,499,319	160,000	15,659,319	0.73
Dedham	2,697,213		2,697,213	0.13
Dennis	487,073	200,000	687,073	0.03
Dighton	99,436		99,436	0.00
Dighton Water District	-	6,239,441	6,239,441	0.29
Douglas	6,882,461		6,882,461	0.32
Dover	155,801		155,801	0.01
Dracut	7,166,257		7,166,257	0.33
Dracut Water Supply District	750,448		750,448	0.03
Dudley	635,666		635,666	0.03
Duxbury	742,981		742,981	0.03
Eastham	855,519	200,000	1,055,519	0.05
Easthampton	2,703,849	174,947	2,878,796	0.13
East Bridgewater	2,046,493	400,000	2,446,493	0.11
East Longmeadow	633,736		633,736	0.03
Easton	244,674	121,178	365,852	0.02
Essex	11,678,905	9,849,728	21,528,633	1.00
Everett	392,161		392,161	0.02
Fairhaven	472,493		472,493	0.02
Fall River	93,709,501	2,417,944	96,127,445	4.47
Falmouth	14,834,848	450,000	15,284,848	0.71
Fitchburg	22,714,952	18,124,670	40,839,622	1.90
Foxborough	2,006,984		2,006,984	0.09
Framingham	962,758		962,758	0.04
Franklin	5,696,881		5,696,881	0.26
Gardner	10,853,645		10,853,645	0.50
Georgetown	2,133,055		2,133,055	0.10
Gill	32,033		32,033	0.00
Gloucester	22,944,606	8,524,496	31,469,102	1.46
Grafton	58,878		58,878	0.00
Granby	480,085		480,085	0.02
Great Barrington	257,030		257,030	0.01
Greater Lawrence Sanitary District	1,366,694	20,897,422	22,264,116	1.04
Greenfield	6,394,041		6,394,041	0.30
Groton	4,720,280		4,720,280	0.22
Halifax	155,802	200,000	355,802	0.02



<u>Borrowers</u>	<u>Existing Loans</u>	<u>Pool 11 Loans</u>	<u>Total</u>	<u>Percentage of Pool SRF Bonds Program</u>
Hanover	307,095		307,095	0.01
Hanson	214,038	200,000	414,038	0.02
Hardwick	24,060		24,060	0.00
Harwich	402,328		402,328	0.02
Hatfield	971,344		971,344	0.05
Haverhill	17,250,690		17,250,690	0.80
Hillcrest Sewer District	3,028,888		3,028,888	0.14
Hingham	2,517,268		2,517,268	0.12
Hinsdale	2,453,827		2,453,827	0.11
Holbrook	1,689,196	955,816	2,645,012	0.12
Holden	12,055,466	923,349	12,978,815	0.60
Holland	136,128		136,128	0.01
Holliston	267,714		267,714	0.01
Hoosac Water Quality District	1,619,156		1,619,156	0.08
Hopedale	726,777	374,967	1,101,744	0.05
Hopedale Water Department	-	177,705	177,705	0.01
Hopkinton	6,489,695	200,000	6,689,695	0.31
Hubbardston	10,599		10,599	0.00
Hudson	920,795		920,795	0.04
Hull	5,885,522		5,885,522	0.27
Ipswich	1,295,800		1,295,800	0.06
Kingston	26,658,286	3,509,766	30,168,052	1.40
Lakeville	219,897	146,000	365,897	0.02
Lancaster	136,511		136,511	0.01
Lanesborough Village Fire & Water District	3,137,474		3,137,474	0.15
Lawrence	20,024,420	12,000,000	32,024,420	1.49
Lee	139,276		139,276	0.01
Leicester	198,339		198,339	0.01
Leicester Water Supply District	-	393,000	393,000	0.02
Lenox	2,057,015		2,057,015	0.10
Leominster	8,189,648		8,189,648	0.38
Lexington	34,515		34,515	0.00
Lincoln	3,523,928		3,523,928	0.16
Littleton	290,873		290,873	0.01
Longmeadow	18,058		18,058	0.00
Lowell	20,661,567	4,719,058	25,380,625	1.18
Ludlow	1,555,602		1,555,602	0.07
Lunenburg	8,306,865		8,306,865	0.39
Lunenburg Water District	1,786,374		1,786,374	0.08
Lynnfield	131,274		131,274	0.01
Lynn Water Sewer Commission	71,427,537		71,427,537	3.32
Manchester - by - the - Sea	5,475,874		5,475,874	0.25
Mansfield	7,229,744		7,229,744	0.34
Marion	10,946,804	8,614,087	19,560,891	0.91
Marlborough	1,841,947		1,841,947	0.09
Marshfield	7,712,710	362,865	8,075,575	0.38
Mashpee	872,015	170,000	1,042,015	0.05
Massachusetts Development Finance Agency	14,028,113		14,028,113	0.65
Massachusetts Water Resources Authority	348,306,885	81,597,385	429,904,270	19.99
Mattapoiset	5,325,612	3,260,779	8,586,391	0.40

<u>Borrowers</u>	<u>Existing Loans</u>	<u>Pool 11 Loans</u>	<u>Total</u>	<u>Percentage of Pool SRF Bonds Program</u>
Maynard	4,833,027		4,833,027	0.22
Medfield	464,954		464,954	0.02
Medway	221,154		221,154	0.01
Melrose	640,489		640,489	0.03
Mendon	133,205		133,205	0.01
Merrimac	248,781		248,781	0.01
Methuen	1,318,606	5,786,500	7,105,106	0.33
Middleborough	788,563	200,000	988,563	0.05
Middleton	89,742		89,742	0.00
Millbury	10,944,004	1,018,724	11,962,728	0.56
Millville	317,164		317,164	0.01
Milton	621,485		621,485	0.03
Montague	1,009,110		1,009,110	0.05
Monterey	69,237		69,237	0.00
Nantucket	13,036,477	996,600	14,033,077	0.65
Natick	5,613,905		5,613,905	0.26
Needham	1,967,283		1,967,283	0.09
New Bedford	13,219,913	6,522,356	19,742,269	0.92
Newbury	7,904,378		7,904,378	0.37
Newburyport	11,455,490		11,455,490	0.53
Newton	12,965,719		12,965,719	0.60
Norfolk	485,911	234,828	720,739	0.03
North Adams	2,256,179		2,256,179	0.10
North Andover	6,247,967		6,247,967	0.29
North Attleborough	9,695,358	2,246,920	11,942,278	0.56
North Brookfield	4,189,431		4,189,431	0.19
Northborough	882,132		882,132	0.04
Northbridge	7,887,214		7,887,214	0.37
Northampton	67,769		67,769	0.00
North Reading	812,721		812,721	0.04
North Sagamore Water District	2,109,213		2,109,213	0.10
Norton	3,131,813		3,131,813	0.15
Norwell	52,379		52,379	0.00
Norwood	847,243		847,243	0.04
Oak Bluffs	13,018,354		13,018,354	0.61
Orange	218,676		218,676	0.01
Orleans	-	100,000	100,000	0.00
Palmer	5,085,446		5,085,446	0.24
Paxton	115,312		115,312	0.01
Pembroke	397,729		397,729	0.02
Pepperell	4,552,965		4,552,965	0.21
Phillipston	115,293		115,293	0.01
Plainville	-	1,089,285	1,089,285	0.05
Plymouth	37,846,234		37,846,234	1.76
Plympton	48,406		48,406	0.00
Provincetown	14,490,015	2,214,065	16,704,080	0.78
Quincy	7,183,052		7,183,052	0.33
Randolph	602,628		602,628	0.03
Raynham	14,347,180		14,347,180	0.67
Reading	17,454		17,454	0.00
Revere	523,096		523,096	0.02
Richmond	-	3,386,648	3,386,648	0.16
Rockland	224,959	380,167	605,126	0.03

<u>Borrowers</u>	<u>Existing Loans</u>	<u>Pool 11 Loans</u>	<u>Total</u>	<u>Percentage of Pool SRF Bonds Program</u>
Rockport	102,222		102,222	0.00
Rowley	58,426		58,426	0.00
Royalston	48,519		48,519	0.00
Russell	474,109		474,109	0.02
Rutland	43,041		43,041	0.00
Salisbury	1,558,580		1,558,580	0.07
Sandwich	349,113		349,113	0.02
Saugus	793,315		793,315	0.04
Scituate	15,462,766	4,869,467	20,332,233	0.95
Seekonk	493,516		493,516	0.02
Seekonk Water District	5,698,271		5,698,271	0.26
Sharon	314,700		314,700	0.01
Shirley	12,489,326		12,489,326	0.58
Shrewsbury	430,479	94,573	525,052	0.02
Shutesbury	213,567		213,567	0.01
Somerset	5,144,053		5,144,053	0.24
South Deerfield	3,221,824		3,221,824	0.15
South Essex Sewerage District	96,318,480	6,401,348	102,719,828	4.78
South Hadley	2,166,081		2,166,081	0.10
South Hadley Fire District	-	1,127,000	1,127,000	0.05
Southampton	2,314,238	150,000	2,464,238	0.11
Southborough	535,143		535,143	0.02
Southbridge	6,027,289	1,096,654	7,123,943	0.33
Southwick	47,835		47,835	0.00
Spencer	155,802		155,802	0.01
Springfield	3,289,301		3,289,301	0.15
Springfield Water & Sewer Commission	8,256,584		8,256,584	0.38
Sterling	430,592		430,592	0.02
Stockbridge	5,689,331		5,689,331	0.26
Stoughton	2,813,888		2,813,888	0.13
Sturbridge	4,559,887		4,559,887	0.21
Sunderland	71,570		71,570	0.00
Sutton	8,056,479		8,056,479	0.37
Swampscott	7,892,871		7,892,871	0.37
Swansea	-	329,922	329,922	0.02
Swansea Water District	2,561,477		2,561,477	0.12
Taunton	23,491,994	3,782,171	27,274,165	1.27
Templeton	8,146,592		8,146,592	0.38
Tewksbury	3,021,026		3,021,026	0.14
Tisbury	7,003,422		7,003,422	0.33
Townsend	275,712	695,639	971,351	0.05
Truro	155,802		155,802	0.01
Tyngsborough	2,854,198	90,000	2,944,198	0.14
Upper Blackstone Water Pollution District	62,277,343		62,277,343	2.90
Upton	3,487,800		3,487,800	0.16
Wakefield	2,400,386		2,400,386	0.11
Walpole	10,993,089		10,993,089	0.51
Ware	630,700		630,700	0.03
Wareham	22,627,614		22,627,614	1.05
Warren Water District	265,258		265,258	0.01
Wayland	777,259		777,259	0.04

<u>Borrowers</u>	<u>Existing Loans</u>	<u>Pool 11 Loans</u>	<u>Total</u>	<u>Percentage of Pool SRF Bonds Program</u>
Webster	7,830,093		7,830,093	0.36
Wellfleet	810,711	200,000	1,010,711	0.05
Westborough	2,233,272		2,233,272	0.10
Westfield	21,353,491		21,353,491	0.99
Westford	12,253,346		12,253,346	0.57
Westminster	-	343,116	343,116	0.02
West Boylston	8,022,312		8,022,312	0.37
West Boylston Water District	570,159		570,159	0.03
West Bridgewater	83,870	200,000	283,870	0.01
West Newbury	173,384	196,900	370,284	0.02
West Stockbridge	684,425		684,425	0.03
Westwood	2,180,498		2,180,498	0.10
Weymouth	1,095,961		1,095,961	0.05
Whitman	6,415,026		6,415,026	0.30
Wilmington	165,589		165,589	0.01
Winchendon	14,162,324		14,162,324	0.66
Winchester	52,086		52,086	0.00
Windbrook Acres	402,761		402,761	0.02
Woburn	4,842,522		4,842,522	0.23
Worcester	990,495		990,495	0.05
Wrentham	3,651,689	134,935	3,786,624	0.18
Yarmouth	3,722,406		3,722,406	0.17
Accretion of Series 4 Capital Appreciation Bonds	1,686,259		1,686,259	0.08
Title 5 Unallocated Proceeds	1,798,144		1,798,144	0.08
Total	<u>\$1,846,738,450</u>	<u>\$304,061,676</u>	<u>\$2,150,800,126</u>	<u>100.00%</u>

### Pool SRF Bonds Debt Service and Pool Program Reserve Fund

The following table sets forth information related to the expected sources of payment for debt service on all outstanding Pool SRF Bonds issued by the Trust, together with the amounts that will be transferred on each payment date to the Pool Program Reserve Fund, assuming that there is no Payment Default with respect to any Pool SRF Bonds.

Set forth below for each payment date of February 1 and August 1 is the following information with respect to the sources of funds expected to be used to pay debt service on all Pool SRF Bonds and the amounts, if any, expected to be transferred on each payment date to the Pool Program Reserve Fund:

- Principal and interest payments on all Pool SRF Bonds;
- The borrowers' subsidized loan repayment obligations under all financing agreements with respect to Pool SRF Bonds, together with amounts from the 2004 Debt Service Reserve Fund which will be used to pay a portion of the debt service on the 2004 Refunding Bonds on each payment date;
- The reserve fund earnings with respect to all Pool SRF Bonds;
- Commonwealth contract assistance payments, together with amounts released from subsidy funds held under certain bond resolutions, including investment earnings on such subsidy funds referred to collectively as "Commonwealth subsidies;"
- The subsidized loan repayments, reserve fund earnings, Commonwealth subsidies and other available amounts which, in the aggregate, at least equal the principal and interest payable on the Pool SRF Bonds;
- The amounts expected to be transferred to the Pool Program Reserve Fund from each of the reserve funds for the Pool SRF Bonds (other than the 2004 Debt Service Reserve Fund), together with certain amounts from those reserve funds for the SESD SRF Bonds and MWRA SRF Bonds which have been refunded in part with Pool SRF Bonds.

Funds in the Pool Program Reserve Fund are available on a pro rata basis to secure all Pool SRF Bonds as follows:

- *First*, on a pro rata basis, to pay debt service on any Pool SRF Bonds for which there are insufficient funds available in the related debt service fund or reserve fund to make such payment; and
- *Second*, on a pro rata basis, amounts will be retained in such Fund for the credit of any reserve fund (including the 2004 Debt Service Reserve Fund) against which a draw has been made to make a debt service payment on the related Pool SRF Bonds.

Amounts in the Pool Program Reserve Fund that are not applied as set forth above shall be transferred on the same payment date to the Deficiency Fund, and, together with amounts (not shown in the following table) expected to be transferred to the Deficiency Fund on such dates from each of the reserve funds for the SRF Bonds other than the Pool SRF Bonds, shall be similarly available on a pro rata basis to secure all SRF Bonds (including the Pool SRF Bonds). The availability of amounts in the Pool Program Reserve Fund and Deficiency Fund to satisfy deficiencies with respect to the Trust's SRF Bonds is dependent on the borrowers making their payments in a timely manner, on the timely receipt of reserve fund earnings and Commonwealth subsidies, and on the timing of scheduled releases from the reserve funds allocated to such borrowers or the Trust's SRF Bonds.

See "SOURCES OF PAYMENT AND SECURITY FOR THE SRF BONDS."

**Pool Program<sup>1</sup>**

<u>Payment Dates</u>	<u>Principal and Interest Payments on Pool SRF Bonds</u>	<u>Subsidized Borrower Loan Repayment Obligations and 2004 Debt Service Reserve Fund Withdrawals</u>	<u>Subsidy Amounts</u>		<u>Total<sup>3</sup></u>	<u>Transfers to Pool Program Reserve Fund<sup>4</sup></u>
			<u>Reserve Fund Earnings<sup>2</sup></u>	<u>Commonwealth Contract Assistance Payments and Subsidy Fund Amounts<sup>3</sup></u>		
February 1, 2006	\$64,546,423	\$37,182,985	\$17,711,130	\$10,093,011	\$64,987,126	\$10,112,469
August 1, 2006	133,039,525	81,373,337	21,478,874	30,303,546	133,155,756	34,118,472
February 1, 2007	69,757,261	41,239,983	18,961,941	10,042,814	70,244,738	9,871,399
August 1, 2007	135,257,548	83,361,555	19,802,345	32,162,188	135,326,087	41,120,519
February 1, 2008	67,640,664	39,245,657	17,679,525	11,240,743	68,165,924	7,892,500
August 1, 2008	133,563,687	83,900,522	19,136,410	30,559,063	133,595,994	39,123,303
February 1, 2009	66,005,955	39,135,975	16,380,338	11,025,611	66,541,924	14,508,437
August 1, 2009	133,075,189	84,154,837	18,484,034	30,482,817	133,121,688	45,898,970
February 1, 2010	64,761,925	39,381,792	14,945,171	10,951,802	65,278,765	6,457,500
August 1, 2010	134,952,581	87,726,691	17,740,519	29,563,902	135,031,112	46,621,729
February 1, 2011	63,267,114	39,121,169	13,726,836	10,924,778	63,772,783	6,653,000
August 1, 2011	132,563,346	87,718,695	16,850,287	28,096,435	132,665,417	41,151,610
February 1, 2012	61,677,923	38,412,693	12,825,391	10,914,863	62,152,947	2,912,500
August 1, 2012	132,392,387	88,544,402	15,617,703	28,371,476	132,533,581	42,623,381
February 1, 2013	59,242,373	37,177,005	11,822,746	10,659,386	59,659,137	3,001,500
August 1, 2013	139,190,853	95,379,731	14,539,035	29,468,281	139,387,047	37,372,564
February 1, 2014	55,959,325	35,027,900	10,967,837	10,292,942	56,288,680	3,090,500
August 1, 2014	137,034,447	95,414,644	13,072,500	28,825,849	137,312,993	34,309,923
February 1, 2015	53,597,792	33,682,676	10,027,158	10,321,108	54,030,942	3,154,500
August 1, 2015	135,698,847	95,822,495	11,689,458	28,576,608	136,088,561	29,056,947
February 1, 2016	40,984,472	24,555,407	9,064,064	7,365,001	40,984,473	640,000
August 1, 2016	135,943,622	97,390,321	10,270,284	28,520,517	136,181,122	29,966,147
February 1, 2017	38,242,222	22,890,770	8,158,459	7,242,871	38,292,100	662,000
August 1, 2017	126,715,947	92,186,199	8,829,300	25,700,448	126,715,947	23,605,171
February 1, 2018	27,787,613	15,869,615	7,177,934	4,740,064	27,787,613	686,000
August 1, 2018	126,741,356	93,061,219	7,402,126	26,278,012	126,741,356	19,093,701
February 1, 2019	25,028,850	14,518,319	6,210,587	4,300,960	25,029,865	710,000
August 1, 2019	112,629,488	84,164,571	6,127,735	22,337,182	112,629,487	15,213,397
February 1, 2020	22,694,119	13,517,308	5,174,132	4,002,678	22,694,119	734,000
August 1, 2020	103,872,669	80,023,817	5,088,688	18,760,164	103,872,669	8,977,682

**Pool Program<sup>1</sup>**

<u>Payment Dates</u>	<u>Principal and Interest Payments on Pool SRF Bonds</u>	<u>Subsidized Borrower Loan Repayment Obligations and 2004 Debt Service Reserve Fund Withdrawals</u>	<u>Subsidy Amounts</u>		<u>Total<sup>3</sup></u>	<u>Transfers to Pool Program Reserve Fund<sup>4</sup></u>
			<u>Reserve Fund Earnings<sup>2</sup></u>	<u>Commonwealth Contract Assistance Payments and Subsidy Fund Amounts<sup>3</sup></u>		
February 1, 2021	20,149,516	12,330,342	4,277,337	3,598,765	20,206,444	758,000
August 1, 2021	87,205,697	68,722,095	4,190,617	14,512,986	87,425,698	9,306,945
February 1, 2022	12,446,038	6,904,915	3,583,437	2,157,213	12,645,565	784,000
August 1, 2022	85,355,075	68,419,551	3,566,317	14,678,216	86,664,084	9,607,873
February 1, 2023	10,717,134	5,905,646	2,944,662	1,963,118	10,813,425	812,000
August 1, 2023	69,740,653	56,620,163	2,926,600	10,844,897	70,391,660	9,910,871
February 1, 2024	9,182,159	5,871,249	2,425,165	1,615,135	9,911,549	840,000
August 1, 2024	54,585,147	45,674,027	2,406,488	8,254,625	56,335,141	8,638,834
February 1, 2025	7,235,550	4,506,787	2,012,658	1,261,508	7,780,952	856,000
August 1, 2025	45,882,431	36,854,627	1,994,822	7,032,982	45,882,431	6,572,165
February 1, 2026	6,961,003	4,168,037	1,676,852	1,116,114	6,961,003	-
August 1, 2026	29,068,981	22,102,971	1,659,857	5,306,153	29,068,981	6,781,532
February 1, 2027	6,360,266	3,790,337	1,453,814	1,116,114	6,360,266	-
August 1, 2027	28,966,706	22,224,289	1,436,264	5,306,153	28,966,706	5,804,901
February 1, 2028	5,753,613	3,413,825	1,223,673	1,116,114	5,753,613	-
August 1, 2028	29,088,388	22,576,713	1,205,521	5,306,153	29,088,388	4,037,087
February 1, 2029	5,118,644	3,016,861	985,668	1,116,114	5,118,644	-
August 1, 2029	29,191,625	22,918,604	966,868	5,306,153	29,191,625	1,585,728
February 1, 2030	4,461,069	2,669,486	740,247	1,051,335	4,461,069	10,112,469
August 1, 2030	25,337,256	20,578,412	720,798	4,038,046	25,337,256	34,118,472
February 1, 2031	3,859,131	2,360,001	529,400	969,730	3,859,131	9,871,399
August 1, 2031	19,584,294	16,813,170	509,580	2,261,543	19,584,294	41,120,519
February 1, 2032	1,218,256	600,414	373,804	244,039	1,218,256	7,892,500
August 1, 2032	19,718,256	17,082,910	373,804	2,261,543	19,718,256	39,123,303
February 1, 2033	757,713	282,649	233,724	241,340	757,713	14,508,437
August 1, 2033	16,862,713	15,154,792	233,724	1,474,197	16,862,713	45,898,970
February 1, 2034	357,163	108,222	114,952	133,988	357,163	6,457,500
August 1, 2034	11,517,163	10,737,358	114,952	664,853	11,517,163	46,621,729
February 1, 2035	87,638	54,149	33,489	-	87,638	6,653,000
August 1, 2035	3,982,638	3,985,416	33,489	-	4,018,905	41,151,610

- 
1. Totals may not add due to rounding.
  2. Includes investment earnings on the 2004 Debt Service Reserve Fund. Does not include any reserve fund earnings with respect to loans originally funded from the proceeds of SESD SRF Bonds or MWRA SRF Bonds. Such reserve fund earnings are expected to be used to pay debt service on the portion of the SESD SRF Bonds and the MWRA SRF Bonds, respectively, that were not refunded by Pool SRF Bonds.
  3. Includes amounts attributable to debt service savings which are expected to be allocated to the Trust resulting from the issuance of the Pool 7 Bonds and the 2004 Refunding Bonds and the refunding of certain of the prior Pool SRF Bonds, SESD SRF Bonds and MWRA SRF Bonds by such series.
  4. These amounts are expected to be transferred to the Pool Program Reserve Fund from the reserve funds for each of the Pool SRF Bonds (other than the 2004 Debt Service Reserve Fund) and for certain SESD SRF Bonds and MWRA SRF Bonds which have been refunded in part with Pool SRF Bonds.

TRA 2086837.1



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Massachusetts Water Pollution Abatement Trust  
One Ashburton Place  
Boston, Massachusetts 02108

RE: \$293,760,000 Massachusetts Water Pollution Abatement Trust Pool Program Bonds, Series 11, dated the date of delivery thereof (the “Bonds”).

We have acted as bond counsel in connection with the issuance by the Massachusetts Water Pollution Abatement Trust (the “Trust”) of the Bonds pursuant to Chapter 29C of the Massachusetts General Laws (the “Act”), a resolution of the Trust adopted March 4, 1993 entitled “Amended and Restated Resolution Authorizing and Establishing a Water Pollution Abatement and Drinking Water Project Financing Program” (as amended and restated, the “Program Resolution”) and a resolution of the Trust adopted October 19, 2005 entitled “Water Pollution Abatement and Drinking Water Project Bond Resolution Pool Program, Series 11” (the “Bond Resolution” and, together with the Program Resolution, the “Resolutions”). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

The Bonds are being issued by means of a book entry system, with bond certificates immobilized at The Depository Trust Company, New York, New York (“DTC”), and not available for distribution to the public, evidencing ownership of the Bonds in denominations of \$5,000 or integral multiples thereof, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants.

The Bonds are payable on August 1 in the years and principal amounts, bear interest at the rates and are subject to redemption prior to maturity, all as provided in the Bond Resolution.

As to questions of fact material to our opinion, we have relied upon the representations of the Trust contained in the Resolutions and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. Based upon the foregoing, we are of the opinion that, under existing law:

1. The Trust is duly created and validly existing as a public instrumentality of The Commonwealth of Massachusetts with the power to adopt the Resolutions, perform the agreements on its part contained therein and issue the Bonds.
2. The Resolutions have been duly adopted by the Trust and constitute valid and binding obligations of the Trust enforceable upon the Trust.
3. Pursuant to the Act, the Resolutions create a valid lien on the funds, contract rights and other property pledged by the Resolutions for the security of the Bonds.
4. The Bonds have been duly authorized, executed and delivered by the Trust and are valid and binding special obligations of the Trust, payable solely from the sources provided therefor in the Resolutions.

**Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.**

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5. Interest on the Bonds will not be included in the gross income of the holders of the Bonds for federal income tax purposes. This opinion is rendered subject to compliance with various requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. While interest on the Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, interest on the Bonds will be included in the “adjusted current earnings” of corporate holders of the Bonds and therefore will be taken into account in the computation of the alternative minimum tax applicable to certain corporations. We express no opinion as to other federal tax consequences resulting from holding the Bonds.
6. Under existing law, interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Bonds.
7. For federal and Massachusetts tax purposes, interest includes original issue discount. Original issue discount with respect to a Bond is equal to the excess, if any, of the stated redemption price at maturity of such Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all Bonds with the same maturity were sold. Original issue discount accrues actuarially over the term of a Bond. Holders should consult their own tax advisers with respect to the computation of original issue discount on such accruals of interest during the period in which any such Bond is held.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Resolutions may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

## SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS

### A. Trust Continuing Disclosure Certificate

The Trust will execute and deliver a Continuing Disclosure Certificate (the “Disclosure Certificate”) upon issuance of the Bonds. The Disclosure Certificate will be executed and delivered by the Trust for the benefit of the registered owners, including beneficial owners, of the Bonds (the “owners”) and in order to assist the original underwriters of the Bonds in complying with Rule 15c2-12 adopted by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934 (the “Rule”).

#### **Provision of Annual Reports**

Not later than 270 days after the end of each fiscal year of the Trust, commencing with the fiscal year ending June 30, 2006, the Trust will provide an Annual Report containing the information described below to each nationally recognized municipal securities information repository for purposes of the Rule (the “National Repositories”) and any public or private depository or entity designated by the Commonwealth as a state information depository for the purposes of the Rule (a “State Depository” and, collectively with the National Repositories, the “Repositories”). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in the Disclosure Certificate. If the Trust is unable to provide an Annual Report to the Repositories by the foregoing date, the Trust will send a notice to that effect to the Municipal Securities Rulemaking Board (the “MSRB”) and each Repository.

The Trust’s Annual Report will contain or incorporate by reference the most recently available audited financial statements of the Trust, prepared in accordance with generally accepted accounting principles. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and the Trust will provide the audited financial statements as soon as practicable after the audited financial statements become available. The financial statements may be incorporated by reference from other documents, including official statements of debt issues of the Trust or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB.

As noted above under the caption “CONTINUING DISCLOSURE,” each Borrower will agree in its Financing Agreement to provide an annual report to the Trust, containing or incorporating the most recently available audited financial statements of such Borrower, not later than 270 days after the close of each fiscal year during any period during which such Borrower is an “obligated person” with respect to the Bonds within the meaning of the Rule, as evidenced by a notice to that effect furnished to the Borrower by the Trust. In accordance with a standard adopted by the Trust pursuant to the Rule, a Borrower shall be considered an “obligated person” with respect to the Bonds if the aggregate principal amount of all of its Pool Borrower Obligations outstanding as of the end of any fiscal year constitutes twenty percent (20%) or more of the aggregate principal amount of all Pool Borrower Obligations outstanding as of the end of such fiscal year. The Trust will covenant in its Disclosure Certificate to annually determine if any Borrowers constitute obligated persons with respect to the Bonds, and to provide notice to those Borrowers, if any, which satisfy that standard, and to file any annual reports received from such Borrowers with the Repositories at the same time and in the same manner as the Trust Annual Report for that year.

#### **Reporting of Material Events**

Upon the occurrence of any of the following events with respect to the Bonds (each a “Listed Event”), if material under applicable federal securities laws, the Trust will promptly file a notice of such occurrence with each Repository.

1. Principal and interest payment delinquencies.
2. Non-payment related defaults under the Bond Resolution.

3.       Unscheduled draws on the debt service reserves reflecting financial difficulties.
4.       Unscheduled draws on credit enhancements reflecting financial difficulties.
5.       Substitution of credit or liquidity providers, or their failure to perform.
6.       Receipt by the Trust of an adverse tax opinion or the occurrence of an event affecting the tax - exempt status of the Bonds.
7.       Modifications to the rights of the owners of the Bonds.
8.       Bond calls.
9.       Defeasance of the Bonds or any portion thereof.
10.      The release, substitution or sale of property securing repayment of the Bonds.
11.      Rating changes.

### **Alternative Methods for Reporting**

The Trust may satisfy its obligations to make any filing with a Repository by instead filing the same with any central filing office, conduit or similar transmission agent if and to the extent such transmission agent has received an interpretive advice from the SEC, which has not been withdrawn, to the effect that an undertaking to transmit a filing to such transmission agent for submission to each Repository is an undertaking which complies with the Rule.

### **Termination of Reporting Obligation**

The Trust's obligations under the Disclosure Certificate will terminate upon the defeasance of the Bonds in accordance with the terms of the Bond Resolution or the prior redemption or payment in full of all of the Bonds.

### **Amendment**

Notwithstanding any other provision of the Disclosure Certificate, the Trust may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law, which may also include bond counsel to the Trust, to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to the Disclosure Certificate shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of information being provided in the Annual Report.

If the amendment pertains to the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to evaluate the ability of the Trust to meet its obligations. To the extent reasonably feasible, the comparison also will be quantitative. A notice of the change in the accounting principles will be sent to each Repository.

### **Default**

In the event of a failure of the Trust to comply with any provision of the Disclosure Certificate any owner of the Bonds may seek a court order for specific performance by the Trust of its obligations under the Disclosure Certificate. Similarly, either the Trust or any owner of the Bonds may seek a court order for specific performance by

any Borrower which is an “obligated person” with respect to the Bonds within the meaning of the Rule of such Borrower’s disclosure obligations under the Financing Agreement and its financing closing certificate in the event of the failure of such Borrower to comply with those obligations.

A default under the Disclosure Certificate shall not constitute an Event of Default under the Bond Resolution or a default with respect to the Bonds, and the sole remedy under the Disclosure Certificate in the event of any failure of the Trust to comply with the Disclosure Certificate shall be an action for specific performance of the Trust’s obligations thereunder and not for money damages in any amount. Similarly, a default by any Borrower of its disclosure obligations under the applicable Financing Agreement and such Borrower’s closing certificate shall not constitute an event of default under the Financing Agreement, and the sole remedy for such default shall be an action for specific performance of the Borrower’s obligations.

## **Beneficiaries**

The Disclosure Certificate will inure solely to the benefit of the owners of the Bonds from time to time, and shall create no rights in any other person or entity.

## **B. The Commonwealth Disclosure Agreement**

Prior to the issuance of the Bonds, the Trust and the Commonwealth, acting by and through the Treasurer and Receiver-General of the Commonwealth, will undertake for the benefit of the owners of the Bonds to provide to each NRMSIR within the meaning of the Rule and to any State Depository, within the meaning of the Rule, no later than 270 days after the end of each fiscal year of the Commonwealth, commencing with the fiscal year ended June 30, 2005, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available, provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to each NRMSIR and any State Depository when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth’s failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth’s Information Statement dated March 17, 2005 (the “Information Statement”), as it appears as Appendix A in the Official Statement dated March 17, 2005 of the Commonwealth with respect to its \$669,710,000 General Obligation Bonds, Consolidated Loan of 2005, Series A, and in each case substantially in the same level of detail as is found in the referenced section of the Information Statement, as described below. The Information Statement has been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission.

<b>Financial Information and Operating Data Category</b>	<b>Reference to Information Statement for Level of Detail</b>
1. Summary presentation on statutory accounting and five-year comparative basis of selected budgeted operating funds operations, concluding with prior fiscal year, plus estimates for current fiscal year	“DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS - Selected Financial Data - Statutory Basis”
2. Summary presentation on GAAP and five-year comparative basis of governmental funds operations, concluding with prior fiscal year	“COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS - Selected Financial Data - GAAP Basis”
3. Summary presentation of actual revenues in budgeted operating funds on five-year comparative basis, concluding with prior fiscal year, plus estimates for current fiscal year	“COMMONWEALTH REVENUES - Statutory Basis Distribution of Revenues”

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
4. So long as Commonwealth statutes impose limits on tax revenues, information as to compliance therewith in the prior fiscal year	“COMMONWEALTH REVENUES - Limitations on Tax Revenues”
5. Summary presentation of budgeted expenditures by selected, then-current major categories on five-year comparative basis and estimated expenditures for current fiscal year	“COMMONWEALTH PROGRAMS AND SERVICES”
6. Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	“COMMONWEALTH PROGRAMS AND SERVICES - Commonwealth Pension Obligations”
7. If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	“STATE WORKFORCE”
8. Five-year summary presentation of actual capital project expenditures	“COMMONWEALTH CAPITAL ASSET INVESTMENT PLAN - Capital Investment Plan”
9. Statement of Commonwealth debt and debt related to general obligation contract liabilities as of the end of the prior fiscal year	“LONG-TERM LIABILITIES - General Authority to Borrow - Commonwealth Debt and Debt Related to General Obligation Contract Assistance Liabilities”
10. Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year	“LONG-TERM LIABILITIES - Debt Service Requirements on Commonwealth Bonds”
11. Annual fiscal year contract assistance requirements for Commonwealth general obligation contract assistance, beginning with the current fiscal year	“LONG-TERM LIABILITIES - General Obligation Contract Assistance Liabilities”
12. Annual fiscal year budgetary contractual assistance liabilities for Commonwealth, beginning with the current fiscal year	“LONG-TERM LIABILITIES - Budgetary Contractual Assistance Liabilities”
13. Five-year summary presentation of authorized but unissued general obligation debt	“LONG-TERM LIABILITIES - Authorized But Unissued Debt”
14. So long as Commonwealth statutes impose a limit on the amount of outstanding “direct” bonds, information as to compliance therewith as of the end of the prior fiscal year	“LONG-TERM LIABILITIES - General Authority to Borrow-Statutory Limit on Direct Debt”

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Commonwealth, which have been submitted to each NRMSIR. If the document incorporated by reference is a Final Official Statement within the meaning of the Rule, it will also be available from the MSRB. The Commonwealth's annual financial statements for each fiscal year shall consist of (i) combined financial statements prepared in accordance with a basis of accounting that demonstrates compliance with the Massachusetts General Laws and other applicable state finance laws, if any, in effect from time to time and (ii) general purpose financial statements prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by a firm of certified public accountants appointed by the Commonwealth.

The Commonwealth Disclosure Agreement also will provide that the Treasurer and Receiver-General of the Commonwealth on behalf of the Commonwealth, undertakes for the benefit of the registered owners and Beneficial Owners of the Bonds to provide in a timely manner to the MSRB and to any State Depository notice of any change in the credit rating of outstanding general obligation bonds of the Commonwealth.

To the extent permitted by law, the provisions of the Commonwealth Disclosure Agreement shall be enforceable against the Commonwealth in accordance with the terms thereof by any owner of a Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Treasurer and Receiver-General). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of the Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Commonwealth and to compel the Commonwealth and any of its officers, agents or employees to perform and carry out their duties under such provisions of the Commonwealth Disclosure Agreement; provided, however, that the sole remedy in connection with violation of the Commonwealth Disclosure Agreement shall be limited to an action to compel specific performance of the obligations of the Commonwealth under the Commonwealth Disclosure Agreement and shall not include any rights to monetary damages. The Commonwealth Disclosure Agreement shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer in effect, whichever occurs first. The Commonwealth Disclosure Agreement may be amended, changed or modified without the consent of, or notice to, any owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such Commonwealth Disclosure Agreement and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Commonwealth for the benefit of the owners of the Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the Commonwealth Disclosure Agreement in a manner consistent with the provisions of state legislation establishing the State Depository or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Commonwealth (such as Commonwealth disclosure counsel or Commonwealth bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

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**Table of Providers**

Amounts held in the reserve funds and subsidy funds allocable to the outstanding Pool SRF Bonds, and in the reserve funds for SESD SRF Bonds and MWRA SRF Bonds which were partially refunded with the proceeds of certain prior Pool SRF Bonds, are invested in investment agreements with ratings and collateralization requirements similar to those described in the front part of this Official Statement under the heading “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS - Sources Of Payment; SRF Reserve Investment Earnings; Investment Agreements” with the providers listed in the table below, provided that certain providers of uncollateralized investment agreements are required to provide collateral if they fail to maintain ratings of “AA” by Standard & Poor’s and “Aa2” by Moody’s.

<b><u>Provider</u></b>	<b><u>Series</u></b>	<b><u>Debt Service Reserve Fund Amounts</u></b>	<b><u>Maximum Subsidy Fund Amounts</u></b>
AIG Matched Funding Corp. <sup>1</sup>	MWRA 1998A	\$27.1 million	
Bayern, acting through its New York branch	Series 3 Bonds	\$29.3 million	
	1996 SESD Bonds	\$17.4 million	
IXIS <sup>2</sup>	Series 6 Bonds	\$96.3 million	\$8.8 million <sup>3</sup>
	Series 7 Bonds	\$40.0 million	\$3.8 million <sup>4</sup>
	Series 8 Bonds	\$87.6 million	\$6.4 million
	MWRA 1993A Bonds	\$28.9 million	
	MWRA 2002A Bonds	\$36.0 million	
FSA Capital Management Services, LLC <sup>5</sup>	Series 4 Bonds	\$53.5 million	
	Series 2004A and 2004B Bonds	\$64.5 million	
	Series 10 Bonds	\$106.7 million	\$4.8 million <sup>6</sup>
	MWRA 1998A Bonds	\$11.1 million	
	Series 11 Bonds	\$97.1 million	
HSBC National Bank of New York	Series 1 Bonds	\$19.8 million	
	1994 SESD Bonds	\$7.0 million	
	MWRA 1993B Bonds	\$7.9 million	
MBIA Inc. <sup>7</sup>	Series 3 Bonds	\$13.1 million <sup>8</sup>	
	MWRA 1995A Bonds	\$7.3 million	
Société Générale <sup>9</sup> acting through its New York branch	Series 2 Bonds	\$15.2 million	
	1994 SESD Bonds	\$18.0 million	
	1996 SESD Bonds	\$8.8 million	
	MWRA 1993B Bonds	\$11.6 million	
	MWRA 1995A Bonds	\$14.3 million	

Trinity Funding Company, LLC	Series 5 Bonds	\$92.9 million	\$10.2 million <sup>10</sup>
	Series 6 Bonds	\$25.1 million	
	Series 7 Bonds	\$8.8 million	
	Series 9 Bonds	\$110.7 million	\$4.4 million <sup>11</sup>
	MWRA 1999A Bonds	\$43.1 million	
	Series 11 Bonds	\$19.9 million	

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1. The obligations of AIG Matched Funding Corp. are guaranteed by American International Group, Inc.
  2. The obligations of IXIS are guaranteed by Caisse Des Depots et Consignations.
  3. \$37,000 of the amount held in the Series 6 Subsidy Fund is invested in SLGS.
  4. \$50,000 of the amount held in the Series 7 Subsidy Fund is invested in SLGS.
  5. The obligations of FSA Capital Management Services, LLC are guaranteed by Financial Security Assurance Inc.
  6. \$205,600 of the amount held in the Series 10 Subsidy Fund will be invested in SLGS.
  7. The obligations of MBIA Inc. are insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation.
  8. An additional \$220,900 of the Series 3 Bonds debt service reserve fund is invested in United States Treasury Obligations - State and Local Government Series ("SLGS").
  9. The obligations of Société Générale are insured by a financial guaranty insurance policy issued by Financial Security Assurance Inc.
  10. \$140,800 of the amount held in the Series 5 Subsidy Fund is invested in SLGS.
  11. \$21,400 of the amount held in the Series 9 Subsidy Fund is invested in SLGS.

## THE DEPOSITORY TRUST COMPANY

### Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Pool 11 Bonds. The Pool 11 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Pool 11 Bonds, in the principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities and Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants includes both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Pool 11 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Pool 11 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Pool 11 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Pool 11 Bonds, except in the event that use of the book-entry only system for the Pool 11 Bonds is discontinued.

To facilitate subsequent transfers, all Pool 11 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Pool 11 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in

beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Pool 11 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Pool 11 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Pool 11 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Pool 11 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Pool 11 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Pool 11 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detailed information from the Trust or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Trust, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal and interest payments to Cede & Co., (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trust or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Trust believes to be reliable, but neither the Trust nor the Underwriters takes responsibility for the accuracy thereof.

#### **No Responsibility of the Trust, the Bond Trustee or Paying Agent**

NONE OF THE TRUST, THE PAYING AGENT OR THE BOND TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE POOL 11 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDOWNERS OR REGISTERED OWNERS OF THE POOL 11 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE POOL 11 BONDS.

### **Certificated Pool 11 Bonds**

DTC may discontinue providing its services as securities depository with respect to the Pool 11 Bonds at any time by giving reasonable notice to the Trust and the Bond Trustee. In addition, the Trust may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. If for either reason the Book-Entry Only system is discontinued, Bond certificates will be delivered as described in the Bond Resolution and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondowner. Thereafter, Pool 11 Bonds may be exchanged for an equal aggregate principal amount of Pool 11 Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Bond Trustee. The transfer of any Bond may be registered on the books maintained by the Bond Trustee for such purpose only upon the assignment in the form satisfactory to the Bond Trustee. For every exchange or registration of transfer of Pool 11 Bonds, the Trust and the Bond Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the Bondowner for any exchange or registration of transfer of the Pool 11 Bonds. The Trust will not be required to transfer or exchange any Bond during the notice period preceding any redemption if such Bond or any part thereof is eligible to be selected or has been selected for redemption.

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